

JPRS-CEA-85-052

11 June 1985

# China Report

ECONOMIC AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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11 June 1985

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PROVINCIAL AFFAIRS

FINES FACED IF BEIJING AREAS NOT COMMERCIALIZED

OW181244 Beijing XINHUA in English 1113 GMT 18 May 85

["Fines Give Teeth to Drive for More Services"--XINHUA headline]

[Text] Beijing, May 18 (XINHUA)--Owners of premises along nine major city center streets here must offer them for use as shops or other service centers by July 1--or face stiff fines.

This municipal ruling, announced yesterday, instructs the owners--enterprises and individuals--to convert or rent their premises for use as shops, restaurants, tailors, repair centers or other services.

Special exemption can be applied for. But people failing to meet the new regulations will be fined 100 yuan per three months for every meter of street front they own.

The fine will be doubled if they continue to block the conversion to services after one year.

Beijing authorities announced two months ago that they were hoping to attract 10,000 new service sector businesses to the capital this year.

Wangfujing, Qianmen and Chongwenmen Streets and six other major business streets in the city center will be the first to be covered by the new ruling from July 1.

After that, various district authorities around the city will propose other main streets to be included, and the municipal government will incorporate them into the scheme gradually.

Alternative housing will be offered to individuals whose homes on street fronts must be converted to service centers.

The authorities warn that any individuals or business who take advantage of the ruling to destroy green areas or trees or encroach onto roads will be punished.

CSO: 4020/226

PROVINCIAL AFFAIRS

RENMIN RIBAO REPORTS ON XIZANG OPEN POLICY

OW300900 Beijing XINHUA in English 0840 GMT 30 Apr 85

[Text] Beijing, April 30 (XINHUA)--Thousands of skilled people flocking into Tibet have helped local business, today's "People's Daily" reported.

Over 40,000 Tibetan families are in specialized trades now, four times as many as in 1983.

Average 1984 per capita income reached 317 yuan, 101 yuan more than in 1983.

The number of families in commercial and service trades has risen from 7,000 in 1983 to 21,000, many by cooperation with people from elsewhere in China.

A Lhasa building firm has raised quality since taking on six Hans from Chongqing to train its workers. It completed buildings worth 1.57 million yuan last year, 50 percent over quota.

A restaurant run by three Hans from Zhejiang Province and three Tibetans does a brisk trade in local and Zhejiang food.

Tibetan enterprises have learned to collect market information and improve management and product quality in order to compete with counterparts elsewhere.

A sewing workshop in Gyangze last year sold 420,000 yuan worth of shoes, caps and clothes, 71 percent more than in 1983, thanks to market research.

The regional government has encouraged many collectives and individuals to enter service trades to overcome the shortage of tourist facilities.

Tibet's first taxi company in Lhasa has earned over 50,000 yuan in its first five months.

A hotel run by peasants in suburban Lhasa has accommodated 1,880 tourists in the past three months and earned over 37,000 yuan.

Last year 33 Lhasa firms made 1.48 million yuan, up from 970,000 yuan in 1983, as a result of job responsibility. Average output value per person was worth 4,723 yuan, up from 3,342 yuan in 1983.

CSO: 4020/226

PROVINCIAL AFFAIRS

LIAONING STEPS UP CONSUMER GOODS PRODUCTION

OW191220 Beijing XINHUA in English 1205 GMT 19 May 85

[Text] Shenyang, May 19 (XINHUA)--Liaoning Province, China's leading heavy industrial center, plans to spend 532 million yuan over the next three years to boost production of consumer durables.

The money will be used to retool 122 projects in textiles, electronics and light industry in 1987, according to a provincial conference on light industrial production which closed here today.

Then the province's production value of light industry will reach 30 billion yuan, a jump of nearly 48 percent over 1984.

Between 1979 and 1984, Liaoning invested about two billion yuan in upgrading 3,100 light industrial projects, provincial planning commission director Zhu Jiazhen told the conference.

During that period, 264 production lines were revamped or installed to increase output of textiles, Western suits, leather shoes, canned beer and asparagus, fast food and plastics.

As a result, Zhu said, production of consumer durables had risen markedly, increases ranging from 130 percent to 19 fold were registered during the period in output of such goods as clothing, bicycles, beer, pressure cookers and televisions.

With 368 projects worth 201 million U.S. dollars imported since 1978, Liaoning now mass-produces washing machines, video recorders, color televisions, air-conditioners, refrigerators, stainless steel kitchenware, fast food and high-grade cosmetics.

Light industry got off to a good start this year, with output value amounting to nearly 7.18 billion yuan in the first four months--up 33.3 percent over the same period in 1984.

The province manufactured over 20 billion yuan worth of light industrial goods last year, almost double the 1978 figure. Light industry accounted for about 35 percent of the province's total industrial production, compared with 26.7 percent in 1978.

Liaoning had shipped out consumer goods worth almost 1.2 billion yuan by the end of last year. Previously it depended largely on supplies from elsewhere.

PROVINCIAL AFFAIRS

BRIEFS

GANSU GOVERNOR'S WORK REPORT--In his government work report at the Third Session of the Sixth Provincial People's Congress, Gansu Governor Chen Guangyi said: We must make breakthroughs at two points in developing the province's economy. One point is further invigorating large and medium enterprises; the other is grasping township enterprises and urban collective economy. And developing horizontal ties and organizing diffusion of production and joint operations represents the tether linking these two points. Chen Guanghi said: Gansu has great potentials for developing horizontal economic ties and promoting diffusion of production and joint operations. We must take full advantage of the favorable conditions of the large and medium enterprises in talent, technology, capital, and equipment and bring their potentials and superior points into full play through the tie of organizing diffusion of production and joint operations. Chen Guangyi said: township enterprises and urban collective economy should develop on a still greater scale through diffusion and joint operations. [Excerpts] [Lanzhou Gansu Provincial Service in Mandarin 0430 GMT 18 May 85 HK]

CSO: 4006/621



ECONOMIC DEVELOPMENT ZONES

YANGTZE RIVER DELTA ECONOMIC AREA EXPANDS

OW171104 Beijing XINHUA in English 0733 GMT 17 May 85

[Text] Hefei, May 17 (XINHUA)--The Yangtze River delta economic area has been expanded to include Jiangsu, Zhejiang, Anhui and Jiangxi Provinces and Shanghai municipality.

The area, with Shanghai as the center, is an economic organization aimed at pooling the resources of different localities to develop the river delta--one of the richest parts of China.

When set up in 1982, the area covered Shanghai and ten cities round Lake Taihu in Jiangsu and Zhejiang.

In accordance with a recent State Council decision, it now covers 17 prefectures, 48 cities and 285 counties under the jurisdiction of the four provinces and Shanghai municipality. This includes one-fifth of China's population and about 14 percent of its farmland.

Shanghai is China's leading industrial and business center. The areas round Taihu Lake are traditionally known as the "land of fish and rice."

There are large coal mines in northern Jiangsu and Anhui. Southern Anhui and Jiangxi Province have such mineral resources as tungsten, antimony, copper, lead and zinc.

An academic seminar is now being held in Hefei, capital of Anhui Province, on development of the Yangtze River delta economic area.

CSO: 4020/226

ECONOMIC MANAGEMENT

BEIJING CITY TO GUARANTEE DRINKING WATER SUPPLY

OW171327 Beijing XINHUA in English 1151 GMT 17 May 85

[Text] Beijing, 17 May (XINHUA)--The Beijing Municipal Government will guarantee the supply of drinking water at the cost of restricting water supply to industrial establishments and farms in times of emergency.

The decision was made after the water table in the city's western suburbs dropped by 3 or 4 meters last year as a result of inadequate rain for 5 years on end, Cheng Guangqi, chief engineer at the Beijing Waterworks Company told XINHUA yesterday.

The company's daily supply capacity decreased by 5 percent in each of the past 5 years. It dropped from 1.34 million cubic meters in 1983 to 1.2 million cubic meters last year.

"We don't expect the water level to rise dramatically in the coming rainy season. We are prepared for the worst, but we'll do our best not to cut off the water supply," he said.

Vice-Mayor Han Boping pledged at a rally last month that the city's daily running water supply would be maintained at 1.2 million cubic meters this year.

To make up for the shortage, about 150,000 cubic meters is flowing into the city every day from a waterworks attached to the Yanshan Petrochemical Company in the southwestern suburbs.

The extra supply will drop to 30,000 cubic meters when a new waterworks at the Tiancun Hill in the west starts operation next month and produces 170,000 cubic meters per day. It will use the water diverted from the Miyun Reservoir, the city's largest, on the northern outskirts.

Later this year the city will start constructing another big waterworks with a daily supply capacity of 500,000 cubic meters in the first production stage, the chief engineer said.

Like grain, water has been rationed to big consumers in the capital. If an organization or a factory with a monthly ration of 1,000 cubic meters wants to use more, the water company will double or redouble the price.

On achievements in water saving, Cheng said that most factories in Beijing have set up cooling systems to recycle water.

Water saving devices have been introduced including water meters and special valves.

In the past 3 years the company has installed 600,000 water meters.

More sprayers are expected to be installed in the fields to prevent water from seeping away from open ditches during the course of irrigation.

The water company, founded 75 years ago, serves the city's most densely populated areas in the city proper and the immediate suburbs which cover about 350 square km.

The population within the company's service is about 6.7 times that of 1949. However, the highest daily supply last year was 43 times more, and about 38 percent of the total supply goes to industrial and other services.

Beijing's annual rainfall has declined from an average of 622 mm to 456 mm over the past 5 years. The city's Guanting and Miyun reservoirs will supply only 770 million cubic meters of water this year, the lowest amount since 1973.

CSO: 4020/224

ECONOMIC MANAGEMENT

ZHEJIANG PEASANTS URGED TO INVEST IN INDUSTRY

OW142217 Beijing XINHUA in English 1445 GMT 14 May 85

[Text] Hangzhou, 14 May (XINHUA)--Peasants are encouraged to invest in township industries, Wang Dinghua, director of the province's township Industrial Bureau, said here today.

In the first quarter of this year, about one-third of the 2 billion yuan capital in the province's township industries came from individual peasants, he said.

The investments are used to introduce new technology and replace outdated equipment, which still accounted for 70 percent of the total, Wang said.

Household workshops are encouraged to merge voluntarily and township industries to integrate with larger enterprises in cities.

More than 580 township enterprises on the outskirts of Hangzhou were collaborating with bigger factories in the manufacture of textiles, silks, electronic meters, machines, chemicals and building materials, and were achieving very good results.

He said township industries would seek to increase their exports, which amounted to 240 million yuan last year--only 1.6 percent of their total output value.

More than 52 million peasants now work in factories and mines run by townships in China--about 14 percent of the rural labor force.

CSO: 4020/224

ECONOMIC MANAGEMENT

LIAONING PLANT GAINS FROM IMPROVED MANAGEMENT

OW142335 Beijing XINHUA in English 1256 GMT 14 May 85

[Text] Shenyang, 14 May (XINHUA)--An experimental management system introduced in May 1984, has raised efficiency and increased profits at China's biggest machine tools plant making drilling and boring lathes in Shenyang, Liaoning Province.

The plant showed a profit of 4.46 million yuan in the first quarter of this year, 9.7 times the figure for 1984's first quarter, and handed over to the state a profit of 2.42 million yuan, an increase of 860 percent.

Under the new system, the director is the chief administrator in full control of the plant. He is assisted by a committee of three, the marketing officer, chief engineer and chief accountant.

Zhang Chenglun, 43, became director of the Shenyang Plant a year ago. One of his first decisions was to stop production of items with no market demand. Five new products were put into production. This move had been discussed by the former "collective leadership" many times but they were unable to reach a decision.

Output value of new products, which are high-quality lathes, now accounts for 75 percent of the plant's total. Two of the new machine tools were chosen for commendation by the province and a third, a radial drilling machine, won a national gold medal.

The lathe plant is one of 87 enterprises in the city trying out the new management system. Shenyang, capital city of Liaoning Province, has 130 big and medium-sized factories.

Previously, such plants were under the "collective leadership" of the communist party committee, but in most cases no one was actually in charge.

The shift of responsibility from the party committee to the director or manager has instituted unified direction of production and operations. Decisions can now be made quickly and this has raised efficiency.

The new system was formally introduced by premier Zhao Ziyang at the National People's Congress last year.

The party Central Committee further elaborated on the system last October in a decision on economic restructuring, which said that only a system giving managers full responsibility could meet the needs of modern production. Party organizations in factories were urged to actively support managers in exercising their authority, and guarantee the implementation of state and party policies.

Specific practices under the new system vary in different enterprises in terms of authority of factory directors and their relations with party committees and workers congresses.

In Shenyang, factory directors usually consult party committees before making major management decisions or promoting or removing officers.

All directors or managers are appointed by municipal government agencies while the directors themselves select their deputies and other assistants.

In the 87 enterprises trying out the new system, the number of administrators has been reduced from 935 to 587. New directors and managers average 47 years of age and 62 percent are college graduates.

CSO: 4020/224

FINANCE AND BANKING

SHANGHAI BUDGET, ACCOUNTS, REPORT FOR 1984, 1985

OW170535 Shanghai JIEFANG RIBAO in Chinese 3 May 85 p 3

["Excerpts" of report on the 1984 final accounts and 1985 budget of Shanghai Municipality by Vice Mayor Ye Gongqi at the Third Session of the Eighth Shanghai Municipal People's Congress on 23 April 1985--passages within slantlines published in boldface]

[Text] /I. On the Final Accounts for 1984/

This municipality achieved the following results in implementing the 1984 budget: Financial revenue totaled 15,962 billion yuan, overfulfilling the budget by 0.6 percent and surpassing the preceding year's revenue by 4.2 percent. Revenue from self-initiated projects and collection of waste-discharge fees in various localities amounted to 341 million yuan. This plus the balance carried forward from the preceding year in the amount of 452 million yuan came to a total of 16,755 million yuan. Financial expenditure was 3,032 billion yuan, equivalent to 100.3 percent of the budgeted figure and up 35.4 percent compared with the preceding year. This plus the amount of 13,697 billion yuan turned over to the central authorities brought expenditures of 16,729 billion yuan. The accounts showed a favorable balance of 26 million yuan. Some main points to be noted were:

/1. Production increased and revenue went up through the efforts to grasp reform and promote the economy./ In 1984 we quickened the pace of reform and implemented more flexible policies concerning production, circulation, and distribution. This increased the vitality of enterprises. The annual plans for industrial production and commodity circulation were both overfulfilled. Local financial revenues in the municipality increased by some 600 million yuan compared with the preceding year and met the target in the annual budget. This changed the situation in the past 3 years where, because of the adjustment of prices of raw and other materials as well as some other reasons, revenue had declined in spite of increased production. The situation in 1984 was that financial revenue grew with increased industrial production.

/2. Rapid progress was made in building urban construction projects, and basic urban facilities were improved./ In 1984 this municipality spent 1,024 billion yuan in urban construction and maintenance. This was 48.9 percent more than the preceding year. Last year the people's congress decided that 15 tasks be done



in the interest of the people in the municipality. We made positive efforts to make funds available for these tasks, thereby financially guaranteeing the fulfillment, and in some cases the overfulfillment, of these tasks.

/3. New progress made in the work of science, education, culture, and public health through expansion of the scale of work and improvement of facilities./ In 1984 the municipality's education, science, cultural, and public health expenses totaled 642 million yuan. This was 14.3 percent more than the preceding year. Last year primary and middle schools and secondary normal schools got new experimental equipment. Local institutions of higher learning installed rather high-precision experimental facilities. Some primary and middle schools in villages and towns repaired or renovated their buildings that were in danger of collapse. Specific efforts were made to support the installation of new technological experimental equipment, the training of personnel, and the development of intellectual resources. New equipment was acquired and reference books were imported for scientific research units. Included in the local budget were provisions for 1,000 beds for hospitals. Some advanced medical equipment and new epidemic-prevention equipment were purchased. Advanced equipment for training athletes and advanced scientific testing instruments were imported. A broadcasting studio expansion project was completed. Support was given to the television station for broadcasting programs over channel 20, 7 days a week.

/4. Efforts were made to support farm and sideline production and to improve the supply of some nonstaple foods./ In 1984 a total of 116 million yuan were spend in support of agriculture, up 26.2 percent over the preceding year. In 1984, financial appropriations were made to support the construction of some 20,000 mu of fish breeding ponds in suburban counties and nearly 3,000 mu of fish breeding ponds along rivers and ditches. During that year, aquatic products from rivers sent to the market totaled 620,000 dan, or 30.7 percent more than the preceding year. Supply of fresh milk averaged 1 million bottles per day, hitting a record high.

#### /II. On the 1985 Draft Budget/

The revenue and expenditure of Shanghai's 1985 budget are: the total revenue will be 16.69 billion yuan, including 16.4 billion yuan in receipts, and 290 million yuan in locally-raised funds and pollution control fees; and the total expenditure will also be 16.69 billion yuan, including 4.95 billion yuan in expenses, and the delivery of 12,595 billion yuan to the central government. The 1985 budget will be balanced.

The expenditure for 1985 will be 35 percent higher than that of 1984, and the principles for drawing up the budget are, first, to consolidate the infrastructure in order to improve Shanghai's investment environment; and second, train more competent personnel by appropriately increasing the outlays for education and scientific research, investment in the development of intellectual resources, and strengthening basic education. Attention has also been directed to arousing the enthusiasm of all districts and counties by giving consideration to the development of various services. On this basis, Shanghai's 1985 expenditures emphasize the following:



/1. Stepping up urban construction./ In 1985, special attention has been directed to consolidating the urban areas' infrastructure, and to improving the urban appearance and investment environment. As a result efforts have been concentrated on housing construction, construction of gas and water pipelines, the power supply system, and mainstay communications and telecommunication projects. For this purpose, a total of 1,807 billion yuan, or 76.5 percent more than 1984, has been earmarked for urban construction and preservation and for housing construction and relocation.

/2. Increasing investment in development of intellectual resources, actively supporting training and development of talent./ This year, 806 million yuan, or 25.4 percent over the 1984 figure, has been earmarked for education, scientific research, and cultural and public health projects. Compared with 1984, the educational budget has increased 25.8 percent, the budget for scientific research has increased 22.4 percent, the budget for public health projects has increased 17 percent, and the budget for sports development has increased 31.4 percent.

/3. Supporting the development of agricultural and sideline production in the outskirts to increase supply of nonstaple food in the urban areas./ In 1985, 149 million yuan or 28.3 percent more than 1984, has been earmarked for supporting agricultural undertakings. The money will primarily be spent on developing the production of nonstaple food that the people in urban and rural areas need, and on increasing the supply of fish and milk in Shanghai.

/III. Make Economic Reform a Success, Reinvigorate the Enterprises, and Strive to Implement the 1985 Budget/

/1. Strive to develop production, broaden commodity circulation, achieve bigger economic returns, and increase receipts./ We must speed up technical transformation and the importation of advanced technology, do everything possible to tap Shanghai's potential, and increase output of popular commodities to satisfy the rising needs in production, construction, international trade, and the people's livelihood. We must strive to reduce the consumption of raw and semifinished materials and energy in per-unit production, thus conserving consumption of resources and increasing production at the same time. Commercial enterprises must properly serve as a bridge between production and consumption, coordinate production and marketing, accelerate commodity circulation, and expand the market. All enterprises must accomplish their consolidation firmly, consistently, and qualitatively, so that they can operate more efficiently and achieve better economic performance.

/2. Continue to reform the fiscal and tax system in order to further enliven the economy./ We must actively assist various enterprises to spend their money wisely so that their technical transformation can be accelerated. According to a rate that has been approved, an enterprise, after deducting the payments for its loans, may retain a certain percentage of its profits for its staff's welfare funds and cash awards. An appropriate amount of the interest may be discounted for the loans being spent on improving its technology, or developing new products or quality brandname products, or incorporating imported technology. Selected units should be designated to experiment with the investment responsibility system in handling technological development of technical transformation

projects. After ample preparations have been made and approval granted, certain state-operated industrial enterprises that have the resources should be designated to experiment with a system under which their total staff payroll may float along with the amount of taxes they pay to the state. Awards should be given for conservation of principal raw and semifinished materials on a broader basis. Appropriate incentives should be adopted to encourage enterprises to expand their exports. The financial systems of various districts and counties should be improved.

/3. Improve tax administration, and give full scope to the leverage role of taxation./ Fiscal and revenue organs at all levels must continue to rectify their operating guidelines, make an effort to assist various enterprises to develop production, enliven commodity circulation, and improve operation and administration. They must effectively improve their tax administration, strictly enforce the tax law, and stop tax evasion and other tax fraud, making sure that all taxes are paid in full on a timely basis according to regulations and law.

/4. Strive to achieve better results in spending, and improve the management of production, construction, and other undertakings./ We must be more conscious of the turnover rate of circulating funds, interest, investment, and profits. We must make budget expenditures carefully and wisely, and properly guide the expenditure of various extrabudgetary funds. We must, in particular, seize every opportunity to expedite various technical transformation and urban construction projects, plan carefully, stress the main items, provide useful consultations, research the feasibility of various projects, and make other preparations beforehand, so that all planned projects can be completed qualitatively and quantitatively according to schedule and commissioned to operation at an early date. Construction funds must be budgeted as a whole and distributed rationally. On a contract basis, the distribution of budgets for educational, research, cultural, and health projects should be improved, and all units should have a greater say in making decisions.

/5. Strictly enforce financial and economic regulations, and combat new unhealthy tendencies./ All economic administrative departments and the responsible departments of all enterprises must intensify their political and ideological work, educate the enterprises under them to be more conscious of the law and to think in terms of the overall situation, so that they can correctly handle the relationship between themselves and the overall situation, and more conscientiously obey financial rules and economic discipline as well as various tax regulations. The after-tax profits retained by an enterprise should be shared by five foundations set up in accordance with the State Council's ruling, and they should be spent on the special projects they are meant for. Production funds, for example, should not be used for bonuses. The auditing, treasury, and taxation departments must perform their duties effectively and intensify their inspection and supervision in this regard. Treasurers and accountants, who play an important role in executing financial and economic regulations, must perform their duties strictly in accordance with regulations. People in responsible positions must attach great importance to accountancy and support the work of accountants. This year Shanghai will cut its administrative expenses by 10 percent, and curtail group purchasing power by 20 percent.

11 June 1985

## FINANCE AND BANKING

## QINGHAI AGRICULTURAL BANK FORMULATES MEASURES FOR CREDIT

HK180504 Xining Qinghai Provincial Service in Mandarin 1100 GMT 16 May 85

[Text] The provincial Agricultural Bank has reformulated measures for credit to control the amount of loans and putting money into circulation so as to promote the continuous, steady, and coordinated development of the economy in the agricultural and pastoral areas in our province.

The credit measures formulated by the Provincial Agricultural Bank are:

While strictly controlling the amount of loans, the bank will give priority to issuing loans for a project whose investment is small, which produces quick desired results, and whose economic results are good; the bank will control the loans for a township and town enterprise according to the nature of the projects, and the bank will not allow a specialized household, an individual industrial, or a commercial household to indiscriminately use the loans [words indistinct]. The funds for the procurement of agricultural and sideline products must be separated from commercial loans, and they must be controlled as special items.

With a view to really controlling the irrational introduction of money into circulation in all places, agricultural banks and credit cooperatives at all levels throughout the province must continue to control cash and to supervise wages and bonuses, must inspect and supervise all units to ensure that all cash in excess of the limited amount is deposited with a bank, must prevent people from cashing in an [words indistinct] cash at will, and must improve work [words indistinct]. All accounts that can be settled through transfer of account must be transferred as far as possible. Regarding accounts settled for procuring agricultural and sideline products from peasants and herdsmen, it is essential to ensure that as little cash is paid out as possible. Enterprises' consumption funds must be controlled as a special item in banks. [Words indistinct] funds for production cannot be appropriated as funds for wages and welfare work. The agricultural banks and credit cooperatives in all places must vigorously arrange for deposits and must withdraw as much currency from circulation as possible for the state.

CSO: 4006/621

## FINANCE AND BANKING

### XIZANG HOLDS MEETING ON SUBSTITUTING TAXES FOR PROFITS

HK171526 Lhasa Xizang Regional Service in Mandarin 0000 GMT 17 May 85

[Excerpts] The regional conference on the work of the second stage in substituting taxes for the delivery of profits, which lasted 7 days, concluded in Lhasa on 16 May.

The main topic of the conference was implementing the provisional regulations formulated by the State Council on bonus taxes of state-run enterprises and the experimental methods for the work in the second stage in substituting taxes for the delivery of profits in the region's state-run enterprises.

The conference demanded that units paying bonus taxes should report to the local tax departments before 10 June. Their bonus taxes should be examined and approved by the collecting groups of all prefectural and city finance departments. All responsible departments and units paying taxes must [words indistinct].

The conference demanded that financial departments in all localities check and ratify the regulating taxes of large and medium-sized enterprises according to relevant stipulations in early June. All large, medium-sized, and small enterprises must actively pay taxes according to the regulations stipulated by the region on the work in the second stage in substituting taxes for the delivery of profits in the region's state-run enterprises.

State-run enterprises from other provinces and cities which have come to Xizang to carry out business operations may pay taxes in their own provinces and cities if they can produce the certificates issued by their local tax departments above the county level. Collective enterprises and individual operators from other provinces and cities who have come to the region to do business must pay taxes to the region. If they can produce certificates issued by their own local tax departments above the county level, they may pay taxes according to the region's fixed industrial and commercial tax rates. If they cannot produce the certificates, they must pay taxes according to the tax rates for provisional business operations.

The conference decided that urban peasants and herdsmen engaged in transportation business can be temporarily exempted from industrial and commercial taxes on their income.

At the conference, a responsible person of the provincial Finance Department gave a briefing on the region's financial budget and revenues and expenditures for this year. He demanded that the leaders of all prefectural and city finance departments properly carry out the work of financial income, strictly control expenditures, and pay attention to saving funds.

CSO: 4006/621



FINANCE AND BANKING

ROLE OF INDUSTRIAL, COMMERCIAL ENTERPRISES IN PRICING DISCUSSED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1, 5 Jan 85 pp 51-52

[Article by Zhang Yanfeng [1728 1484 1496]: "How Industrial and Commercial Enterprises Do Good Job of Pricing Products"]

[Text] How to do a good job of pricing products (including self-fixed prices, consultative pricing and floating prices) within the scope permitted by the state policies after the enterprises are given more decisionmaking power is a question confronting enterprises and price departments at present demanding prompt solution. Now I would like to discuss my own superficial understanding of this question based on available information from investigation.

I. Allowing Enterprises To Set Prices and Encouraging Some Competition in Pricing Is Necessary for Enlivening the Economy.

For a long time, the prices of the great majority of commodities have been directly fixed and readjusted under the state plan. This type of highly centralized system of price control had once played a positive role in socialist construction, national economic planning and improving and stabilizing the people's standard of living. However, due to the influence of "Leftist" ideology which denied the regulatory role of the law of value in socialist commodity production, many unreasonable prices cannot be readjusted in time, thereby failing to give full play to the price function as an economic lever.

For a long time, although there were certain advantages in macromanagement and price stabilization in implementing fixed pricing as planned, there have also been indeed tremendous drawbacks with respect to its flexibility and rationality. It cannot change with the change in the market to sustain the price rationality longer and play a positive role more often, this alone has decided its limitations in bringing about higher economic results. In its 10-article regulations concerning the extension of decisionmaking power of state-run industrial enterprises, the State Council has clearly stipulated that within the prescribed scope, enterprises may implement floating prices, consultative prices and self-fixed prices. In this way it has refreshed "a pool of stagnant water" that existed in the price problem in the past for a long time and has become an important measure for reform, encouraging competition and invigorating the economy. It can mobilize the initiative of all quarters and bring benefits to the state, the collective and individuals.

To implement the stipulations of the State Council so as to enable enterprises to adapt to market changes and dextrously apply price as a lever and raise economic results continually, my tentative idea is to specifically confer power to industrial enterprises in the following areas:

A. Industrial enterprises need at least the following seven powers: 1) the power to fix the ex-factory price of small commodities; 2) the power to fix the trial-selling price of new products; 3) the power to float the price of overfulfilled commodities being marketed by an enterprise itself; 4) the power to float the price of commodities under the state plan but not being exclusively sold through commercial outlets; 5) the power to deal with the price of defective, substandard and overstocked products; 6) the power to decide on seasonal price differences; 7) the power to fix batch price differentials.

B. Commercial enterprises need at least six powers: 1) the power to fix the selling price of small commodities; 2) the power to handle the price of questionable commodities; 3) the power to make an offer during internal transfer of goods; 4) the power to float the price of other commodities than those whose price is not allowed to float according to the state stipulations; 5) the power to fix seasonal price differentials; 6) the power to fix batch price differentials.

## II. The Strategy and Methods of Pricing by Enterprises

After enterprises acquire certain powers in fixing prices, how to do a good job of fixing prices becomes a question of great importance in enterprise operations.

Broadly speaking, pricing by enterprises can be divided into two stages, that is, the initial pricing stage and the price-changing stage. From the point of view of enterprise production and operations, the pricing of products is a challenging policy decision and a kind of competition. This is not only true in initial pricing but also true in the changing of prices. Therefore, regardless of what stage, the price policy decision should look upon countering competition as a target of great importance.

### A. The Initial Pricing Stage

The work to be done in this stage covers the following aspects:

1. Keeping abreast of the consumers' demands on the quality and style of every kind of commodities;
2. Knowing well the volume of social demands and the available quantity;
3. Keeping abreast of the price level of commodities of similar categories and the buyers' acceptability;
4. Knowing the commodity cost well;
5. Drawing up targets of competition.

While extensively collecting data, enterprises should make a careful comparison of their own product quality, cost, designs and colors, varieties and market capacity with similar products offered by competitors before deciding one of the following three prices: 1) a price lower than the competitor's; 2) a price at par with the competitor's; 3) a price higher than the competitor's. If a price higher than that of the competitor is chosen for selling, the enterprises must have the following conditions: 1) abundant manpower and financial and material resources and the possibility of opening up a larger market; 2) possessing advanced production technology and product quality which is taking the lead; 3) capable of providing more services to the buyers so that the customers are willing to pay higher prices.

Enterprises must forecast the competitive situation. Present or potential competition will have a tremendous impact on pricing. Even new products cannot completely avert competition. Those products which can easily be produced and managed and can net bigger profits, particularly have a greater potential threat of competition. This type of competition may come from similar products and also from various kinds of substitutes. For example, enamel products, aluminum products, glass products and rubber products can be replaced by plastic goods. These factors must be fully estimated in pricing.

#### B. The Price-Changing Stage

In this stage, close attention should be paid to price changes in the market by competitors and seize initiative to make price changes. In making price changes with initiative, enterprises must fully estimate the reaction of competitors and steps they may possibly take. For example, is the enterprise facing one big competitor or several competitors? How does the competitor explain the reason for its enterprise to change the price? Is it planning to take away its opponent's market? Or is it thinking of increasing its volume of sales or attempting to bring down the price in the entire trade so as to stimulate total demand? What kind of counter price measures may the competitor take?

In the meantime, it should take into consideration whether two or more competitors may form an alliance or take unanimous action to counter the price changes by the enterprise. After having accurately analyzed the above-mentioned situation, the enterprise itself will set specific targets for changing the enterprise's price, such as the magnitude of price hike or drop, the scope of opening up markets and the period of sustained price changes and so forth. If the initiative of changing prices is in the hands of others, then under this circumstance, it needs to consider these questions expeditiously: What is making the opposition change the price? Is it for expanding and occupying a new market? Is it the result of cost changes? Is it due to changes in the quality of products or varieties or for stimulating still bigger demands? Does this price change represent a long-term plan or an expedient measure? What consequences might the enterprise bring forth if it takes a contingency price measure? Would other enterprises also take the attitude of ignoring the price changes? How extensive are the scope of products and areas involved in this price change? And so on and so forth. After having carefully taken the above-mentioned situation into consideration, it is necessary to quickly decide on the enterprise's price countermeasure. An enterprise should adequately readjust its original prices



when the marketability of its products is threatened, sales volume is sharply decreased and profit margin drops. On the other hand, if its products still remain very strongly competitive or effective measures can be taken to lower production cost and improve quality, and business reputation can be improved through advertisement and services, then for the sake of maintaining the profit margin, the original prices may not be changed. However, one should realize that the one who started changing the price first had made the move after careful consideration. The one in a passive position has only several days or a few hours to think before coming up with a contingency policy decision. Therefore, making a decision at the last moment is out of the question, instead, close attention should be paid to price changes in the market at all times.

### III. The Responsibilities of Price Departments

Raising economic results and promoting the development of the national economy is an important task for price departments. Although by letting enterprises set the prices themselves, the price departments have delegated some of their power, yet their burden of responsibility has become heavier, not lighter. To effectively guide enterprises in setting prices, the initial consideration is that the price departments should work well at least in the following six areas:

1. Supporting the enterprises in exercising their power to set prices, including explaining to the public about the enterprises' price-setting power;
2. Doing a good job of market investigation and forecasting so as to provide price information for enterprises;
3. Going deep into enterprises regularly to conduct investigation so as to get a clear picture about the cost, price, production and sales of commodities so as to provide a reference to enterprises in setting prices;
4. Correctly arbitrating price disputes between industry and commerce;
5. Doing a good job in supervision and inspection, principally in supervising and inspecting the scope of authority;
6. Summing up typical cases and popularizing experience.

(Responsible editor: Xu Xiaojia [1776 1420 3773])

12662

CSO: 4006/460

FINANCE AND BANKING

GANSU FINANCE CHIEF REPORTS AT PEOPLE'S CONGRESS

HK140223 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 13 May 85

[Text] As commissioned by the provincial People's Government, (Song Guanjun), director of the provincial Finance Department, reported to the Third Session of the Sixth Provincial People's Congress on the final accounts for 1984 and the draft budget for 1985. He pointed out: Generally speaking the province's budgetary situation last year was good. Financial conditions continued to show a turn for the better. Revenue and expenditure both showed relatively large increases over 1983. The budget was overfulfilled

Total revenue last year is calculated to be 2,402,970,000 yuan, and total expenditure 2,201,990,000 yuan. Comparing revenue and expenditure, the year-end surplus was 209.8 million yuan. After carrying forward 112.3 million yuan for expenditure in the next year, there was a slight surplus in the province's finances. Some prefectures and counties had a deficit totalling 40 million yuan.

He said: Generally speaking the province fulfilled its budget well in 1984, but a number of problems have also arisen on the way of advance. The main one is that controls and supervision have not kept abreast of requirements. Due to this, plus the impact of certain unhealthy trends, some consumption funds grew too much in December. There have also been violations of fiscal and economic discipline. We must seriously absorb the lessons and improve our work.

On the draft budget for 1985, (Song Guanjun) said: This year the province's budget is arranged in accordance with the principles of vigorously stimulating the development of production, continually improving economic results, ensuring a 5 percent growth in financial revenue and striving for a 7 percent growth, and ensuring the key points while taking care of everything else. Generally speaking the revenue and expenditure targets for this year have been set rather tight. In order to fulfill this year's financial plans, we must concentrate on grasping the following tasks:

1. Promote fiscal and tax reforms and harmonize fiscal and economic work.
2. Vigorously promote production and improve economic results.
3. Get a good grasp of organizing revenue and strictly control expenditure.
4. Strengthen the control of capital not covered by the budget, and establish comprehensive financial plans.
5. Strictly adhere to fiscal and economic discipline and resolutely correct various unhealthy trends.

FINANCE AND BANKING

BRIEFS

INVESTMENT BANKS BOOSTS BENEFITS--The loan service of the Chinese Investment Bank is developing very rapidly with the number of loans approved and the amount extended in 1984 doubling and redoubling over the preceding year, the aggregate number of approved loans totaled 117. The scope of loan service has also been expanded, in addition to light industry and textile trades, it has gradually expanded to include machinery, electronics, metallurgy, chemical industry, building materials and other trades, thereby promoting the development of the national economy. This bank has attached great importance to raising investment results, the loans extended to some projects have advanced technical transformation of the trades achieving better economic and social results. Take for instance the seven projects in packing trades that include aluminium foil, cardboards, plastic containers and glass bottles, their services are not only conducive to changing the backward state in packing but also minimizing the import of packing materials and conserving foreign exchange expenses. Many items of technical transformation have also advanced the improvement and updating of products. Take the Handan iron and steel plant for example, its wire materials project imported advanced technology and doubled and redoubled the rolling speed. In addition, many other projects have also enhanced the ability to earn foreign exchange. For example, by importing the key equipment for knitting and dyeing, the Jiaying silk factory in Zhejiang is expected to create foreign exchange annually over 200 percent greater than the amount of foreign exchange loan. [Text] [Beijing GONGREN RIBAO in Chinese 20 Apr 85 p 1] 12662

BANK OF CHINA ASSETS REPORTED--According to the latest statistical data, the total assets of the Bank of China in 1984 has reached RMB 200.3 billion yuan and the net profit came to RMB 1,495,000,000 yuan, showing an increase of 45.3 percent and 24.5 percent, respectively, over the preceding year. This is the result of the efforts made by the Bank of China in continuing to improve operations and management and developing the banking business. At present, the Bank of China has been maintaining regular business contacts with 220 major banks over the world since last year, and up to now, it has also twice successfully floated bonds in Japan amounting to 40 billion Japanese yen (equivalent to \$180 million). It has also signed the second agreement on resources loans with Japanese banks concerned in the amount of 580 billion Japanese yen (equivalent to \$2.4 billion) and held talks with some banks of other countries on the question of financing funds and achieved positive results. [Text] [Beijing JINGJI RIBAO in Chinese 3 May 85 p 3] 12662

JIANGSU TAXES QUADRUPLLED--Nanjing, 18 May (XINHUA)--The amount of industrial and commercial taxes contributed to the state by peasants in Jiangsu Province has quadrupled over the past 6 years. A total of 1.43 billion yuan was collected last year, averaging 27 yuan per peasant, and equivalent to five times the figure for agricultural tax, said Jiang Qiwen, director of the provincial Financial Office, here today. Between 1978 and 1984, Jiangsu peasants handed over 5.28 billion yuan in taxes--90 percent more than the state agricultural investment. Before 1978, agricultural tax provided the biggest slice of locally-raised revenue, but now industrial and commercial taxes have surpassed it in the rural areas around all 11 provincial cities. In Wuxi County, industrial and commercial tax averaged 150 yuan per peasant last year--the highest in China. [Text] [Beijing XINHUA in English 1522 GMT 18 May 85 OW]

URBAN ALLOWANCES READJUSTED--The Regional People's Government recently approved the methods formulated by the Regional Civil Administration Department and the Regional Finance Department for solving relevant problems in readjusting allowances for urban areas. It also instructed the Regional Civil Administration Department and the Regional Finance Department to jointly issue a circular urging all localities to implement the methods. The circular pointed out: Along with upgrading and improving the livelihood of urban and rural people and with the reform of the allowance system, the standard allowances for urban people formulated by the region in 1980 are no longer applicable and should be readjusted accordingly. The new standard allowances after readjustment are: A monthly allowance of 33 to 35 yuan will be granted to widowed urban residents who have no relatives and no source of income, 15 yuan higher than the previous figure, and a monthly living allowance of 36 yuan, 15 yuan more than the old allowance, will be granted to the people adopted by welfare units run by civil administration departments, such as social welfare houses and orphanages. The readjusted standard allowances became effective beginning 1 May 1985. [Excerpt] [Lhasa Xizang Regional Service in Mandarin 0000 GMT 17 May 85 HK]

CSO: 4006/621

## MINERAL RESOURCES

### BRIEFS

PEASANT MINING POLICY--Xian, 17 May (XINHUA)--About 500,000 peasants are running their own mines in the remote and mineral-rich mountain ranges of Qinling and Bashan in southern Shaanxi Province. The Qinling-Bashan area has verified deposits of over 50 minerals such as gold, manganese, phosphorus, asbestos, marble and coal. Almost no mining was done until last year, when a flexible policy was adopted to encourage peasants and collective organizations to go out and prospect for minerals alongside the efforts of the state enterprises. A total of 19 million yuan in interest-free and low-interest loans was granted to peasants for this purpose. The local authorities have also sent technicians to give the peasant-miners on-the-spot guidance and run training classes to ensure that they acquire sufficient skills and the resources are rationally exploited. Almost one tenth of the peasant miners have received training so far. The Shaanxi Provincial Government has worked out a 3-year program for building and improving 10,000 km of highways in the Qinling-Bashan area to ship the rich resources of minerals, timber, medicinal herbs and other native produce out of the region. [Text] [Beijing XINHUA in English 1431 GMT 17 May 85 OW]

CSO: 4020/220

PRC INCREASING INVESTMENT IN TEXTILE SECTOR

HK130259 Hong Kong SOUTH CHINA MORNING POST in English 13 May 85 Business News Supplement p 1

[By Suzanne Sim]

[Text] China is investing millions of renminbi to develop its textile industry, its second largest export earner, in a bid to manufacture high-fashion goods.

Vice President of China Silk Corp Mr Huang Jianmo said efforts are being made in the cultivation of cotton, silk and other fibres and the training of Chinese designers.

Since its open-door policy began, two industrial institutes have been set up in Suzhou and Hangzhou to improve silk cultivation.

Garment design has been given particular emphasis in both centers.

"We are training a lot more designers than we did before," Mr Huang said.

He noted that China's exports of embroidered garments are low, while fashion garments do not meet foreign tastes.

Overseas Technology and expertise have to be imported, partly explaining why it will cost China millions of renminbi to boost the industry, he added.

For example, money has been invested to install a water jet system for weaving man-made fibres and shuttlers for silk weaving in more than 645 factories.

Joint ventures have also been entered with several foreign companies to set up silk fabric finishing plants in Shantou, Suzhou, Hangzhou and Shanghai, China's traditional silk production areas. Silk cocoon production last year hit a historical high of 290,000 tons, about 10 percent higher than the 1983 figure, and total silk output was worth 7.4 billion renminbi (about HK\$20 billion), a 13 percent increase

Textile output last year grew 8.5 percent, while foreign exchange earnings in this sector increased 20.8 percent compared with 1983.



Production of woollen fabric increased 15.5 percent and synthetic woollen articles 33 percent.

China boasts a large textile industry, equipped with 20 million spindles (second only to India's 21.4 million) and 360,000 looms.

Between 1975 and 1983 the textile industry grew, on average, by 10 percent. Exports totaled U.S.\$5.63 billion in 1983 or 25 percent of the country's total exports.

Mr Huang said China's textile industry has been undergoing reforms, one of which was the decentralisation of the state silk corporation.

Provincial silk corporations have been given the right to export brocade and garemnts directly, while the head office maintains its hold on other silk exports.

He added that further decentralization will be implemented gradually.

China hopes to improve the cultivation and breeding of its silk-worms. Mr Huang said China's silk-worms have a lower yield of silk than those bred in Japan.

Ongoing research is aimed at increasing the yield.

China has also allocated nearly one quarter of its quota allocations [word indistinct] "free quotas," available only on bidding.

This is aimed at forcing producers and exporters to improve the quality of their products and lower their prices.

Industry sources said this year's quotas have been sold.

CSO: 4020/224

## INDUSTRY

### CHINA'S INDUSTRY IN PAST 35 YEARS

Beijing TONGJI [STATISTICS] in Chinese No 9, 17 Sep 84 pp 15-17

[Article by Gong Tong [7895 1749]: "China's Industry in the Past 35 Years"]

[Text] Since the founding of New China, the people of all nationalities throughout the country have developed China's industry under the leadership of the CPC and the people's government in accordance with the principle of independence and self-reliance. As of today, an independent and relatively complete socialist industrial system which is of fairly diversified sectors, a considerable production scale and a fairly high technological level has been established in its initial form, laying a relatively solid material and technical foundation for the realization of China's four modernization.

During the 3 years of the national economic recovery period following the founding of the country, industrial production was recovered and developed at a relatively high speed. By 1952, the output of all major industrial products exceeded the records of highest annual output set before the founding of the country. From 1953 to 1957 China carried out the First 5-Year Plan for the development of the national economy, specifically implemented the general line and tasks of the transition period, adopted the principle of giving priority to the development of heavy industry while developing light industry and agriculture accordingly and centralized financial and material resources to do a good job in capital construction with the emphasis on 156 key construction projects. The total industrial output value increased 128.6 percent, an 18 percent increase annually and a 19.6 percent increase in net output value annually. The total output value of light industry increased 12.9 percent annually and that of heavy industry increased 25.4 percent annually. In 1957, the ratio of light industry to heavy industry was 51.7:48.3, indicating an increasingly balanced relation between the two sectors. During the 5 years, the material consumption of industrial production declined 0.7 percent annually, the labor productivity of all staff members and workers of state-run industries increased 8.7 percent annually and the average wages of staff members and workers increased 6 percent annually. Practice has proved that the strategic principle of the First 5-Year Plan period was correct and the results of the implementation were satisfactory. By 1956, many major targets originally set in the First 5-Year Plan had already been fulfilled and overfulfilled ahead of time.

During the 20-year period between 1958 and 1978, major mistakes were committed in economic work due to the guidance of "leftist" ideas. In 1958, undue emphasis



was placed on giving priority to the development of heavy industry and "taking steel as the key link," resulting in a serious imbalance in the national economy and among industrial departments. By 1960, the ratio of light industry to heavy industry turned to 33.3:66.7, resulting in a sharp decline in industrial production for 2 years running--a 38.2 percent decline in 1961 and another 16.6 percent decline in 1962. Consumer goods for daily use were scarce and many difficulties arose in the people's standard of living. From 1963 to 1965, China correctly implemented the strategic ideology of establishing the order of agriculture, light industry and heavy industry, carried out the principle of "readjusting, restructuring, consolidating and improving" readjusted the national economy and properly accelerated the development of agriculture and light industry. By 1965, the ratio of light industry to heavy industry had been readjusted to 50.4:49.6. During the 3-year period, the total industrial output value increased 64 percent, a 17.9 percent increase annually and a 21.3 percent increase in the net output value annually; the material consumption of industrial production declined 1.5 percent annually. Industrial production was thus recovered and developed in the readjustment of the national economy. Comparing 1965 with 1957, the total industrial output value increased 98.1 percent, an 8.9 percent increase annually. The "Great Cultural Revolution" which began in 1966 caused a serious imbalance among national economic sectors for an even longer period of time. By 1976, the ratio of light industry to heavy industry became 43.7:56.3, economic results declined markedly, the national economy which had just recovered was once again thrown into depression and industrial production was once again seriously undermined. Comparing 1976 with 1966, total industrial output value increased 125.4 percent, averaging an 8.5 percent increase a year; the net industrial output value increased 101 percent, averaging a 7.2 percent increase a year; and the material consumption of total industrial output value increased 0.6 percent annually. During the 2-year period following the smashing of the "gang of four" in 1976, industrial production recovered at a relatively high speed. In 1977 and 1978, total industrial output value increased 14.3 and 13.5 percent, respectively, compared with the previous year. However, because the pernicious influence of the long-term "leftist" guiding ideology was not fully understood and because the serious losses caused by the 10-year turmoil were underestimated, quick results were sought in economic work. During the 2-year period, heavy industry developed at an annual-increase rate of 14.9 percent while light industry developed at an annual-increase rate of 12.5 percent. As a result, the proportion of heavy industry output value in total industrial output value increased to 57.3 percent while that of light industrial output value declined to 42.7 percent, worsening the imbalance which had persisted for years.

The 3d Plenum of the 11th CPC Central Committee exposed and criticized long-term "leftist" mistakes, corrected guiding ideology and opened up a new prospect for China's industry. Since 1976, China has correctly implemented the principle of "readjusting, restructuring, consolidating and improving," carried out another readjustment of the national economy and begun the initial reform of the economic structure and other fields, enabling China's industrial production to gradually get on the healthy track of steady development. In the past 5 years, total industrial output value increased 46.1 percent, a 7.9 percent increase annually. Of this, light industry increased 11.2 percent and heavy industry increased 5.1 percent annually. By 1983, the ratio between the light

and heavy industries became 49.6:50.4 and reached a fundamental balance. If we compare the 5-year period from 1979 to 1983 with the 26-year period from 1953 to 1978, we can easily notice the following aspects: 1) Industrial development was faster and the growth rate was steadier. The absolute volume of the average annual increase of many major industrial products, such as electricity, steel products, cement, sulphuric acid, cloth, paper, paper board and sugar, in the 5-year period surpassed that in the 26-year period. 2) The ratio between heavy and light industries became balanced. In the 26-year period, the total output value of heavy industry increased 13.6 percent and that of light industry increased 9.1 percent annually. In the 5-year period, the growth rate of heavy industry declined and that of light industry increased and surpassed that of heavy industry, thereby properly readjusting the ratio between the two sectors. 3) The income of industrial staff and workers increased in all areas. The average annual wage increase of the staff members and workers of state-run industries was 1.1 percent in the 26-year period and 5.2 percent in the 5-year period.

In the past 35 years, in spite of the major mistakes in economic work, industrial production still made fairly great progress and achieved definite economic results. From 1950 to 1983, China's total industrial output value increased 56-fold, averaging a 12.6 percent increase a year. Light industry increased 11.1 percent and heavy industry increased 15.1 percent annually. Not only was such a high speed impossible in old China, but it has never been achieved in the industrially developed countries of the world. Thanks to the rapid development of industrial production, the output of many major industrial products of China is now among the highest of the world. Based on 1983's output, China's cotton yarn, cotton cloth, bicycles and sewing machines ranked first in the world; raw coal, chemical fertilizer, sulphuric acid and cement ranked third; steel ranked fourth; power output ranked sixth and crude oil ranked seventh.

At the same time as the rapid development in the industry, the production of China's energy industry also made fairly great progress. In 1983, the total output value of the energy industry increased 29-fold compared with 1952, averaging a 11.6 percent increase a year. Its proportion in the total industrial output value of China increased from 4.4 percent in 1952 to 11.5 percent in 1983 and its proportion in heavy industry increased from 12.4 percent to 22.8 percent. The oil industry of the energy industry developed even faster. Three years after the discovery and development of the Daqing oilfield in 1959, China already had enough oil to basically support itself and export a little. In the past 6 years, the annual oil output of China always reached over 100 million tons. Along with the development of such highly efficient energy resources as petroleum, natural gas, water and electricity, the production lineup of energy resources has changed drastically. From 1960 to 1983, the proportion of such energy resources as crude oil, natural gas, water and electricity in all energy resources increased from 4.4 percent to 28.4 percent, changing the production lineup from basically one product--coal--to a combination of diversified energy resources with the emphasis on coal. In the past few years, marked achievements have been made in energy conservation. The energy consumption of each 10,000-yuan of national income declined from 16.7 tons of standard coal in 1978 to 14.4 tons in 1983. During the 5-year period from 1979 to 1983, a total of 105.09 million tons of standard coal were saved, averaging 21.02 million tons a year. During this period, the average annual energy conservation rate was 3 percent.

In the course of industrial development, the geographical distribution of China's industry has gradually become rationalized. In old China, all industries concentrated on the east coast with heavy industry concentrating mainly in the Liaoning area of northeast China and the light and textile industries concentrating mainly in a few coastal cities, such as Shanghai, Tianjin, Qingdao and Guangzhou. There was hardly any modern industry in the inland areas which accounted for 85 percent of China's territory except for a few cities such as Wuhan and Chongqing. After the founding of New China, in order to completely change this situation, the state spent over one-half of its investment on the economic construction of the inland areas. In the distribution of industrial construction, the state, on the one hand, paid attention to giving full play to the role of the original industrial bases in the coastal areas and, on the other hand, made great efforts to construct new industrial bases in the vast inland areas. In the past 35 years or so, coastal industrial areas such as Liaoning, Shanghai, Beijing, Tianjin, Tanggu and Guangzhou have made relatively great development and become fairly advanced and strong, comprehensive industrial bases. Inland industries have made even greater development. In the inland areas, China has vigorously constructed and developed the Wuhan industrial area, the Heilongjiang industrial area, the Huabei industrial area centered in Baotou, the Xiangzhong industrial area centered in Changsha and Zhuzhou, the Yuzhong industrial area centered in Luoyang and Zhengzhou and large numbers of new industrial cities and industrial bases, such as Changchun, Jilin, Taiyuan, Xian, Lanzhou, Chongqing, Chengdu, Dukou and Guiyang. From 1953 to 1983, the original value of the fixed assets of inland industries increased 64-fold and that of coastal industries increased 18-fold; the total output value of inland industries increased 30-fold and that coastal industries increased 19-fold. The proportion of the fixed assets owned by inland industries in the fixed assets of China's industries increased from 28 percent in 1952 to 56.8 percent in 1983; the proportion of their staff members and workers in the total number of China's staff members and workers increased from 39.5 percent to 53.1 percent; the proportion of their total industrial output value in China's total industrial output value increased from 30.6 to 40.5 percent, bringing about an initial change in the irrational geographical distribution of industries left over by old China.

Along with the development of industrial production and construction, the technological level of China's industry has been improved continuously. In the past 30 years or so, many new industrial sectors have been established and many new technological fields have been opened up, such as the manufacturing industries of modern metallurgical equipment, mining equipment, new machine tools, automobiles and airplanes, the smelting industries of high-class alloy and nonferrous metals and the petrochemical, nuclear, space and electronics industries. We have been able to equip large mines, power stations and important enterprises of the metallurgical, petrochemical, automotive and shipbuilding industries with our own technology. We have also filled many gaps in the technological field and enabled industrial production to gradually shift to a new technological basis. At present, various industrial departments own a number of new technologies and equipment which meet new modern standards. They can adopt new materials and techniques to produce new products which meet modern standards. For instance, the metallurgical industry possesses 2,580- $m^3$  blast furnaces and will soon put into operation a large blast furnace of over 4,000  $m^3$ . It has also adopted such new technology as wuliao zhong [2477 2436 6988] furnace top



and top-combustion hot-furnace. The maximum capacity of oxygen top-blown converters has reached 150 tons and the steel output of oxygen top-blown converters accounted for 46.3 percent of total steel output in 1983. The machine-building industry has been able to produce 300,000-KW thermal power generator sets, 1.5 million-ton complete sets of equipment for iron and steel complexes, 30,000-ton hydraulic moulding presses, 300,000-ton complete sets of equipment for synthetic ammonia and urea. The shipbuilding industry has been able to design and use the sectionalized welding technique to build 30,000-ton cargo ships whose quality meets international vessel standards. The oil industry has been able to drill 6,000 M superdeep wells and mastered preliminary techniques of drilling deep wells and slant wells in the sea. The building industry has already mastered the new technique of resolving cement outside of kilns and has adopted the float-process in the production of plate glass. The textile industry has mastered air loom, open-end spinning and new printing and dyeing techniques. The production of large and micro electronic computers has begun to take shape in the electronics industry. The first 100 million-digit computer of China has been checked and proved up to standards, indicating that the computer technology of China has reached a new technical level. The launching and accurate recovery of artificial satellites, especially the successful location of the experimental communications satellite launched on 8 April 1984, has marked a new leap of China's space technology, indicating that China has joined the advanced ranks of this technological field.

Along with the development of industrial production and construction, the continuous improvement in the technology of industry and the emergence of fledgling industries, the position of industry in the national economy has become increasingly important. From 1952 to 1983, the proportion of the original value of the fixed assets of state-run industries in the value of the fixed assets of China's material production departments increased from 44.6 to 65.3 percent; the proportion of the number of industrial staff members and workers in the number of all staff members and workers increased from 33.3 to 44.5 percent; the proportion of total industrial output value in the total output value of the whole society increased from 34.4 to 55.1 percent; the proportion of net industrial output value in total national income increased from 19.5 to 41.9 percent; and the proportion of profits and taxes paid by enterprises with independent accounting systems under industrial departments in the state revenue increased from 33.9 to 75.7 percent. The development of industrial production has provided large amounts of technology and equipment for various sectors of the national economy and daily consumer goods for the society. It has also effectively accelerated the development of China's foreign trade and brought about a drastic change in the commodity mix of China's exports. In 1983, 80 percent of China's export commodities were industrial products.

China's industry has scored great achievements in the past 35 years. However, compared with developed countries, its production and technology are still relatively backward and its economic results are still unsatisfactory. At present, China's economy is in the stage of opening to the outside world and structural reform. As long as we persist in focusing on the improvement of economic results, correctly implement the various economic policies of the party, continue to smooth out the various economic relations of the industry in the course of readjustment and reform and give full play to the role of various economic forms and the enthusiasm of all staff members and workers, we certainly will be able to achieve the magnificent goal set by the 12th CPC Congress.

INDUSTRY

BRIEFS

INDUSTRIAL VINYLON PRODUCTION--Beijing, 26 Apr (XINHUA)--China's textile industry produces 160,000 tons of vinylon a year, making it one of the world leaders in this field. Most of the material is used to make such industrial goods as conveyer belts, canvas and tarpaulin sheeting, sacks, building materials, packaging articles, and clothing. China began to import vinylon technology and a production line with an annual capacity of 10,000 tons in the early 1960's. The vinylon production capacity increased to 165,000 tons in late 1970, when the products were mainly clothes. But output has been limited since 1982 because of the rapid development of other chemical fibers. The Textile Industry Ministry has shifted its attention to producing more vinylon goods for industrial use. As a result, vinylon products are in great demand; about 68,000 tons of vinylon cloth for industrial use were consumed throughout China last year. Experts estimate that the proportion of vinylon in the total textile picture will rise from the present 13 percent to over 20 percent by the end of this century. [Text] [Beijing XINHUA in English 0810 GMT 26 Apr 85 OW]

CSO: 4020/224

## CONSTRUCTION

### SUPPLY OF CEMENT FALLS SHORT OF DEMAND

HK160717 Beijing CHINA DAILY in English 16 May 85 p 3

[By Li Xing]

[Text] Although China is the second largest world producer of concrete and cement, domestic production still falls short of demand in the burgeoning construction industry.

Much more is needed for housing, projects to ease traffic congestion and water conservation and energy projects, officials said at the current 1985 Beijing International Symposium on Cement and Concrete.

China produced more than 123 million tons of cement and used 200 million cubic metres of concrete last year. Concrete is China's main building material, substituting for timber and steel.

"Although there is a slump in the cement and concrete industry elsewhere in the world, the Chinese are trying to take the challenge," Wang Youyun, technical director of Cement Research Institute, said at a press conference.

He identified several problems which are hindering the development of the domestic cement and concrete industry.

One is the high-energy consumption of the kilns in which the raw materials are baked together. They use nearly twice as much energy as kilns in developed countries.

Problems in the availability of raw materials could be solved by greater use of industrial wastes in production. "The building material industry should be able to utilize large amounts of industrial wastes such as coal ash," he said.

The current international symposium, which opened yesterday had drawn more than 60 experts from Britain, Canada, Democratic Germany, Federal Germany, Japan, Poland, Sweden, Switzerland, Thailand and the United States. They are sharing their experiences with their Chinese counterparts on energy conservation, utilization of industrial waste, durability of concrete and special products.

"The symposium will help us learn about new developments in the industry," Wang said.

The first cement factory in China was built early in 1889. By 1949 production of cement was 660,000 tons a year. Now there are 57 major plants and nearly 5,000 smaller ones across the country.

Small plants are low-budget and take only a year to build. They supply three-quarters of the country's cement although many of them still have a long way to go before they will produce low-cost quality cement.

CSO: 4020/220



CONSTRUCTION

PROCEEDINGS OF URBAN, RURAL CONSTRUCTION CONFERENCE SUMMARIZED

Excerpts of Minister's Speech

Beijing CHENGXIANG JIANSHE [URBAN AND RURAL AREA CONSTRUCTION] in Chinese  
No 3, 5 Mar 85 pp 4-7

[Excerpts from speech of Minister Rui Xingwen of the Ministry of Urban and Rural Construction and Environmental Protection at a national conference held on 27 December 1984 for the exchange of experiences in rebuilding old cities: "Carry Out the Work of Rebuilding Old Cities Well To Suit the New Developments in Restructuring"]

[Text] The main purpose of this meeting is to carry out the spirit of Premier Zhao Ziyang's directive and to sum up and popularize Hefei's experiences in rebuilding the old city. This is a meeting for the exchange of experiences as well as an on-the-spot meeting.

The experiences of Hefei in rebuilding the old city were discovered by Premier Zhao himself during his inspection tour in Anhui. Comrade Ziyang affirmed two points: First, to absorb social funds with business methods in order to accelerate the rebuilding and construction of old cities. This was what Hefei City did with remarkable success, and this is a new development. Second, to carry out transformation by streets and areas according to city planning. In other words, under the guidance of city planning, we should carry out comprehensive development and construction, area after area, and street after street. This not only marks a major breakthrough in rebuilding old cities, but also opens a broad vista for city building as a whole.

I. How To Understand the Position and Role of City Building in Economic and Social Developments

Cities have always been places where advanced productive forces are concentrated and most social wealth is created. They are important for the development of socialist material civilization. The "Decision of the CPC Central Committee on Reform of the Economic Structure" adopted by the 12th CPC Central Committee at its Third Plenum pointed out: "The cities are economic, political, scientific, technological, cultural and educational centers where modern industry and members of the working class are concentrated, and they play the leading role in socialist modernization." According

to the statistics of 266 cities with affiliated towns, the population of these cities amounted to only 10 percent of the national population. However, the value of their fixed assets accounted for 70 percent; their gross industrial output value and their profits and taxes accounted for 83 percent; the number of their regular students in institutions of higher learning accounted for 95 percent; and their total volume of retail sales accounted for 63 percent of the national totals. These proportions would be even higher if the large number of county cities and the newly built townships were taken into account. That is why the quality of city building and city administration have a close bearing on the national economy and the people's standard of living.

The core, or the most fundamental requirement of the reform of the entire economic structure mentioned in the Third Plenary of the 12th CPC Central Committee is the formation of a socialist economic structure that is full of stamina and vitality.

An overall reform of the economic structure poses new demands on the city's functions. This is the first new development or change that our city builders should carefully study and handle. The progress of the reform will be slowed down or even halted if this factor is overlooked.

The second new development or change is that the construction program according to the Seventh 5-Year Plan will be focused on the transformation, rebuilding and expansion of old enterprises and the transformation of old industrial bases. This will be a new development in the cities. Since the old industrial enterprises are basically located in cities, their transformation or expansion will inevitably touch on the question of their coordination with city building and development. If we only transform and expand the old enterprises without the necessary city transformation, or increase the infrastructural facilities of cities. Since the old industrial enterprises are basically located in cities, their transformation or expansion will inevitably touch on the question of their coordination with city building and development. If we only transform and expand the old enterprises without the necessary city transformation, or increase the infrastructural facilities of cities without proper coordination, there will certainly be even more serious discrepancies which will intensify the contradiction of inadequate urban facilities. The problem of transforming old enterprises and old bases is fairly complex, since it involves the problems of water supply and drainage, the supply of gas and heat, communications and transportation and other urban infrastructural facilities. If these facilities are inadequate, the transformation of old enterprises will be futile. Therefore, the problem of coordinating supplementary projects with the technical transformation of old enterprises must be satisfactorily solved. Many large cities, including Shanghai, Tianjin, Wuhan, Chongqing, Shenyang and Baotou, have the same problem, and many small and medium-size cities too have similar problems. The problem of inadequate infrastructural facilities in cities is very acute, and by this time, its solution can no longer be postponed.

The third new development or new feature is that if our economy has been invigorated and our production developed, the people's living standards

will continue to rise and the substance of city building will continue to change. The purpose of city building is to meet the requirements of constant material and spiritual developments.

The fourth new development or change is that the development of commodity economy in the countryside will lead to a redistribution of the social labor force. A great deal of land is now concentrated in the hands of planting experts, and many people have left their land and come to the cities and towns to engage in industry or commerce by opening workshops or stores, or in tertiary industry, building industry or transportation industry, thus speeding up the process of urbanization. At present, the urban population accounts for about 20 percent of the national population, and it is estimated that in 2000, it will be increased to 40 percent or even more. What shall we do with so many people flocking to the cities? An old way to handle this problem is to let the cities continue to swell like New York and Tokyo. Another way is to develop small and medium-size cities, and particularly to speed up the development of small towns so as to absorb the labor power locally and to increase the urban and rural economic prosperity. This is also a new task in city building.

These new developments or changes will give increasing prominence to the position and role of cities. If we practice the system of city leadership over counties, county leadership over townships and the township leadership over villages, the city will serve as the center to lead the countryside, and its position and role will be even more obvious. We all should recognize this problem.

## II. What the City Government Should Be Mainly Concerned With

This question has been clarified by the Decision adopted by the 12th CPC Central Committee at its Third Plenum. The "Decision" pointed out: "City governments should concentrate on urban planning, construction and management; building public facilities; carrying out comprehensive ecological improvements; guiding and promoting the specialized cooperation of enterprises, their reorganization, association and technical transformation and the modernization of their management and operation; guiding and promoting a rational circulation of materials and commodities; improving cultural, educational, public health and social welfare work and various services; promoting the building of civilization with a high cultural and ideological level, and the fostering of better social conduct; and maintaining public order." These remarks aptly show the city government's responsibility and focus of work. Is there any basis for these remarks? Yes, the basis is the separation of government administration from enterprise management, and the simplification of administration and delegation of power to lower levels. This is the policy of the central government. There were many defects in the past because government administration was not separated from enterprise management. When government administration and enterprise management are separated from each other, the enterprises will have greater power and the government no longer has the right to interfere with business operation. It can only play its role through legislation and the formulation of policies; or organize the exchange of contacts to promote their common improvement, but cannot directly

interfere with the business operation. We must act in accordance with the spirit of the Third Plenum of the 12th CPC Central Committee. We must highly regard Hefei's experiences, especially the experiences of its city government in building the city and offering its services under this spirit. Practice has proved that its action was beneficial for economic development and able to start an upward spiral. Foreign countries generally attach great importance to the environments of investment in the belief that a good environment will provide the key to greater profits, or, as we say, better economic results. If anyone wants to open a factory in some city, the conditions in that city must be attractive, or he would not come at all. The same holds true for our country. Now that the enterprises' decisionmaking power has been expanded, the city government should offer good conditions to attract investment from the enterprises of other provinces and cities. That is why successful city building is a requisite for opening the city to the outside world.

Everyone praises the principle behind the allocation of funds in Hefei City--the principle that "industrial construction depends on the grant of loans, housing construction depends on the absorption of social funds, and the city's financial resources should be used mainly on the infrastructure." This year, the city government appropriated 50 percent of its standby funds for city building and thus solved an urgent problem. I like this method. The action of Hefei City in spending its funds on urgent projects was fully affirmed by Premier Zhao. The comrades said: In the past, "the mayor controlled production and the factory director controlled the society"; now, "the factory director controls production and the mayor controls the city" under the spirit of the Third Plenum of the 12th CPC Central Committee. Of course, this does not mean that the mayor has nothing to do with production at all. There should be a priority order in the use of manpower and financial resources. Some comrades said: This is a historical change. To meet the requirements of economic restructuring, this should be the way to do urban work.

### III. The Principle To Be Adopted in City Building

The general principle for city building is to serve the development of production, the promotion of economic prosperity, and the improvement of the people's standard of living; or to serve the development of socialist material and spiritual civilization. In city building, to be specific, we should adapt measures to local conditions, have an overall plan for all city functions and a rational distribution of facilities, carry out comprehensive development, confine our activities within our capability, and proceed step by step.

Adapting measures to local conditions means that construction should be carried out in accordance with the city's own conditions and characteristics. Cities have common traits, since most of their major functions are identical. Yet they have individualities: there are tourist cities, industrial cities, provincial capital cities, ordinary cities and so forth according to their own characteristics. In planning or building according to local conditions, we should have individuality for each city instead of using the same model



for all cities. There are many types of cities in the world. For example, Bonn of West Germany is different from Washington of the United States. How many models are there for modern cities? What are the standards? What are the differences between our cities and the modern cities of the world? These questions must be clarified. We must study the way to build our cities and pay great attention to the layout of industrial cities as well as the way to develop tourist cities. In foreign cities, the financial centers are located in tall buildings so that all offices concerned are concentrated in one place and can maintain their close contacts. This is advantageous to the vigorous development of commodity economy. In foreign tourist cities, industrialization is prohibited. Along with the development of socialist commodity economy, we must study the experiences of foreign countries in city building and then carefully plan and build our own cities according to their characteristics.

In rebuilding old cities and developing new areas, the methods to be used, the size of projects, the speed of progress and the steps to be taken must all be based on the actual local conditions, including financial and material resources. Instead of imposing any arbitrary uniformity, we must adapt measures to local conditions. Hefei's old city has a low density of buildings and population and a fairly large number of old and decrepit houses. In the past 2 years, therefore, it concentrated its resources in rebuilding the old city while at the same time building new areas according to its own characteristics. It would be wrong for Tianjin to copy wholesale from this model. In Tianjin, the old city was rebuilt according to the requirements of industrial transformation and the readjustment of the industrial layout. This is a good experience which is not only compatible with Tianjin's actual conditions, but also practical for other cities. For a good city layout, there is also the question of rational development. According to Hefei's experiences, it was a comprehensive development under the guidance of city planning whereby development was carried out area after area in a gradual process. Every place has its own characteristics. In the past, construction was undertaken sporadically. The streets were dug up, filled in, and dug up again, causing not only waste of money but also difficulty in adhering to the construction plan. This contradiction was resolved after the method of comprehensive development of entire streets and areas was adopted. All cities, large and small, and all areas, new and old, should use this method, otherwise there cannot be any innovation in our city building. Some comrades have asked: Is it true that the rebuilding of old cities should become the focus of city building? Certainly not. In popularizing Hefei's experiences, we want to learn from its basic experiences in overall planning, comprehensive development and the use of business methods to draw in social funds. However, each city must act in accordance with its own actual conditions. In the case of Changzhou, the development of new areas was attended to first. The areas were developed one after another in the past 5 years, and then efforts were made after another in the past 5 years. In some cities, the development of new areas, or economic technical areas, may come first. Therefore, we cannot arbitrarily say either rebuilding old cities or developing new areas should enjoy priority. We must be guided by the local conditions so that the development of new areas and the rebuilding of old cities may proceed in harmony.

#### IV. How City Planning Can Suit the Developing Situation

Planning should receive close attention in city building. In rebuilding old cities, developing new areas or readjusting the city's functions, we must follow the guidance of city planning. The question of a city's layout is primarily one of planning. Lack of planning or failure to follow it will result in a disorderly layout and it will be difficult to make subsequent readjustments. City planning must be strictly adhered to. Once approved, it should have its legally binding effects and everyone must abide by it. It should be under the overall charge of the city planning department and nobody can alter it at will. Some people have said that both city planning and construction can be undertaken by the same department. We believe that the planning department should function in a somewhat detached way instead of being actually involved in other work, and that an independent department should be established for scientific and proper city planning.

The work of a city-planning department is quite difficult, and outside support is needed. This department itself has not real power and is incapable of solving too many problems. Without support, therefore, its plans can hardly materialize and the work cannot be satisfactorily accomplished. Hefei's experiences and the city government's support for the planning department in particular should be learned by other localities. People at all levels in the city, including the mayor of the city government must abide by one rule, and this rule is embodied in city planning. All localities must learn from this experience. First of all, the leading comrades must appreciate and support the planning. Second, they must respect science instead of making unnecessary comments or alterations. Every line in the blueprint was drawn after considering the overall situation, and therefore cannot be altered at will. Of course, plans should be revised when the situation has developed and conditions have changed. Nothing can remain unchanged forever. However, such changes can be made only by the planning department and not as others please. Since last year, the leading comrades of the central authorities have stressed the need for the planning, construction and management of cities to be centralized. Recently, however, Vice Premier Wan Li said that while enterprises would be downgraded and the "bonds loosened," city administration must be highly centralized and the "bonds" should be tightened instead of being loosened. Some people have criticized the planning department as being too rigidly controlled. We must clearly explain to everyone that this is only one side of the picture. If they see the other side showing the advantages to production, the convenience in daily life, and the scientific, rational and feasible elements in planning, they will be convinced of its merits. They may have their misgivings now, but will be pleased with the final outcome. There will indeed be difficulties, but the comrades of the planning department must not lose heart.

Some comrades prefer designing to planning in the belief that designs can measure the volume of work so that there will be more pay for more work, while plans cannot be sold as commodities or be converted into money. This problem can be studied and solved, and reform can be carried out. I am in favor of competitions in planning and the idea that if any plan is adopted after evaluation and examination, the unit concerned should make money. This problem can be solved through reform.

## V. How To Solve the Problems of Funds and Materials in City Building

At present, the biggest problems in city building are those of funds and materials. If there is only one source of funds for city building, the problem cannot be easily solved. For more sources of funds, we must sum up and popularize Hefei's experiences in opening more avenues of funding.

A steady and regular source of funds can be found through taxation. The State Council has already decided that beginning January 1985, a tax will be levied for the maintenance and building of cities. A land tax will also be introduced in some cities as an experiment, and its levy on a regular basis will begin at an appropriate time. The funds from these sources will be basically sufficient for the maintenance and building of cities. The problem of funds for housing and public facilities can be solved with business methods, or through fundraising or loans. Some comrades have proposed that a certain portion of the technical transformation funds for old enterprises be appropriated for infrastructural facilities and other supplementary projects of the cities. We will bring this to the attention of the central authorities in the hope that an early solution could be found. Some coastal cities and coal cities have little revenues but need heavy investment in infrastructural construction. In this case, we can try some new methods of fundraising. Some comrades proposed that some large projects of urban public utilities requiring heavy investments should be included in the state plans and be financed by both the central and the local authorities. I share this view. On the whole, funds for the maintenance and building of cities should come from many sources. The state must have a basically steady source of funds and at the same time absorb social funds extensively for this purpose. Some arrangements can also be made for the use of capital construction funds, and special action should be taken on special projects. The state and the localities should also provide suitable support for the cities in the old regions, minority regions, border regions and poor regions.

Next is the problem of materials. Materials have two markets: first, planning and second, regulating. We must find some way to stimulate the circulation of materials. The prices of materials that are subject to market regulation can be allowed to float within certain limits, preferably closer to the ceiling, so that they will help restrict the scale of capital construction. More than 700 million  $M^2$  of houses are built in the countryside each year and the huge amount of materials required are not included in state plans. These materials should be purchased on the market at higher prices. I am in favor of solving the problem of materials in many different ways.

### Work Disposition for 1985

Beijing CHENGXIANG JIANSHE [URBAN AND RURAL AREA CONSTRUCTION] in Chinese  
No 3, 5 Mar 85 pp 2-3

[Article: "Work Disposition of Ministry of Urban and Rural Construction and Environmental Protection for 1985"]

[Text] Our own source--The departments under the Ministry of Urban and Rural Construction and Environmental Protection



held a plenary meeting of cadres on 1 February. Minister Rui Xingwen summed up the work of 1984 and laid down the plans for 1985 at the meeting. The work disposition is as follows:

The general goal of the ministry's work in 1985 is: to consolidate the gains in party rectification in the first phase; to do a good job of party rectification in the second phase; to reform the structure and reorganize the leading bodies of the departments under the ministry; to implement the Decision of the Third Plenum of the 12th CPC Central Committee in earnest; and to promote the development of the building industry, of urban and rural construction and environmental protection and of the work of survey and cartography, with reform as the central task. In view of the existing problems, particular attention was paid to the following tasks:

I. Further Enliven the Market of Domestic Construction, Vigorously Develop the Market of Foreign Construction

The State Council's "Decision Concerning the Reform of the Administrative System in Capital Construction and the Building Trade" should be conscientiously implemented. 1) Continued efforts should be made to popularize the system of contracting through bidding on the basis of wages per 100 yuan of output value so that the construction market can be more free from control. For all new civilian construction projects and most of the industrial construction projects started this year, active efforts should be made to create the conditions for contracting through bidding. 2) The building materials market should be further enlivened to meet the requirements of reform in the building industry. The methods to be used are as follows: A large number of trade centers for building materials should be set up either for spot trading or as futures markets in order to even up the surplus and shortage. All trades and undertakings should be encouraged to engage in the building materials industry and the building enterprises should be induced to use whatever funds they can raise to exploit the sources of building materials. After ensuring the supply of building materials through their compensatory trade and joint ventures with the building materials enterprises, the building enterprises will have stronger competitive power in bidding for contracts. Efforts should be made to utilize the state's foreign exchange surplus for importing building materials to be sold as regulated by the market. 3) Design units should be run as enterprises and permitted to sell their products to society. They will charge foreign countries for their services and work under contracts at home. Competitions in design will lead to higher standards of work. 4) Administration over the building industry should be strengthened, specialization in cooperation should be developed, and experiments should be conducted in the system of labor insurance in this trade. 5) Vigorous efforts should be made to develop the construction market in foreign countries, beginning with the export of labor and followed by contracting for engineering projects. Every effort should be made to export more labor, equipment and materials in order that the building industry will become one of the principal sources of foreign exchange earnings in our country.

## II. Strive for a Breakthrough in Reforming the System of City Building

The city governments must concentrate their efforts on the work of city planning, construction and administration. They should also increase the public utilities and carry out a general environmental improvement. They must improve the relationships among various quarters and obtain construction funds from more sources. Therefore, they must solve the problem of the combination of plans and programs and give full play to the guiding role of city planning. Efforts must also be made to complete the formulation, evaluation and examination of the overall plans for all cities with affiliated towns within this year. The practice of selling houses as commodities should be continued and experiments should be made in rent reform. The real estate business should also be developed. Business methods should be adopted to increase the sources of funds so that the comprehensive development and supplementary projects (including the development and supplementary projects (including the development of new areas and the rebuilding of old cities) can be continued. Great efforts should also be made to strengthen the infrastructure of cities and to improve their appearance and environmental hygiene.

## III. Provide More Active Guidance to the Building of Small Towns, Particularly Rural Market Towns

Following the rapid development of commodity economy in the countryside, large numbers of laborers are now concentrated in market towns. Therefore, our guidance should be focused on the building of small towns, especially market towns. We must organize technicians to go to the countryside to assist in planning for construction. Experiments in comprehensive development and supplementary projects should also be organized. At the same time, we should continue to guide the work of designing and building houses in the countryside and help solve the problem of building materials for the convenience of the peasants and to facilitate currency withdrawal.

## IV. Accelerate the Development of Environmental Protection and of Survey and Cartography

For environmental protection, the main task is the in-depth implementation of the spirit of the Second National Conference on Environmental Protection, with particular attention to the work of legislation, administration, propaganda and education. Priority should be given to the prevention of air and water pollution. We should strengthen the preservation of the ecological environment in agriculture and the natural environment, and prevent pollution by the enterprises of small towns. Active efforts should also be made to promote the development of the environmental protection industry. At the same time, we should be realistic in work and strive for real results in a number of environmental projects. In the country as a whole, we should this year undertake 15 projects, including the establishment of smoke-free areas in the cities, the control of noise, the construction of clean factories, and the prevention of pollution of large rivers and lakes.

In survey and cartography, efforts should be made to strengthen the government's functions and control over the trade. Experiments should be conducted for the survey and cartography units to be run as enterprises. A careful survey should be conducted on the national resources and some services in survey and cartography should be provided to the special economic zones and the open coastal cities.

#### V. Carefully Work Out Plans for Various Departments and Trades Under the Ministry To Be Incorporated in the Seventh 5-Year Plan

Based on a forecast of people's consumption capacity, we should figure out the increase per capita in housing, the supply of gas and water, transportation facilities (including the areas of roads and number of vehicles), and the area of tree planting, and lay down the plans and programs for developing the building industry, and for building cities and improving the environment. We should also participate in the work of the planning commission in overall balancing.

#### VI. Actively Promote Technical Advancement

The building industry and the departments responsible for city building, town building, environmental protection and survey and cartography are all faced with the problem of technical transformation and the development of new technologies. Therefore, while carefully attending to the reform of the scientific research system, all trades should select a certain number of important scientific and technical projects for themselves and organize their resources for tackling the difficult problems. They should also import a number of advanced technologies. To further improve the quality of machinery and equipment required in the building industry and in city building and environmental protection, we should continue to lay down technical policies for the trades engaged in construction and city building, and adopt new technologies, new machinery, new equipment, new materials and new techniques on a large scale. At the same time, we should actively study the methods of market forecast and organize our resources to strengthen our research in soft sciences.

#### VII. Step up the Training of Personnel

On the basis of investigations and study, we plan to hold a fairly large conference on personnel training and then work out programs for speeding up the training of technical and managerial personnel at the high, middle and low levels in the ministry. We should particularly step up personnel training in the building industry in the countryside and make a special effort to set up one training center in every county or to hold two or three vocational classes in each ordinary senior secondary school for training construction personnel in the countryside.

#### VIII. Strengthen the Work of Legislation

Every effort should be made to speed up the process of legislation in the ministry so that the results of reform in the building trade, in urban and

rural construction and in environmental protection will quickly become part of the legal system. This year, we are prepared to form a system of statutes governing the work of various departments and trades under the ministry (such as the legal system of the building trade with the "Laws of Construction" as the basis and the "Regulations for Contracting through Bidding," "Regulations for Construction and Designs" and "Regulations for Labor Insurance in Construction" as individual laws), and to arrange for this system to go through the process of legislation. Special attention will be paid to the revision of the "Regulations of City Planning" and "Law (Tentative) of Environmental Protection" in the hope that several new laws could be drafted and promulgated this year.

IX. Further readjust the structure of the departments under the ministry in accordance with the principle of separating government administration from enterprise management, simplifying and decentralizing the administration, and strengthening the government's functions and the administration of the trade; and then reorganize the leading bodies at various levels as required for the four modernizations.

X. Do a Good Job in the Second Phase of Party Rectification After Summing up the Experiences in the First Phase

We will use party rectification as an impetus for reform and examine our work of party rectification in the light of the reform's results. At the same time, let us greet the party's representative meeting with outstanding performances in all types of work.

9411

CSO: 4006/585/586

CONSTRUCTION

BRIEFS

PEAT AS BUILDING MATERIAL--Changchun, 13 May (XINHUA)--China is making various types of building materials out of peat, the partly decayed plant matter found in ancient bogs and swamps, according to Professor Chai You of the Northeast Teachers' University here today. China has estimated reserves of 27 billion tons of peat, ranking fifth in the world. A total of 120 institutions in 17 provinces, municipalities and autonomous regions are studying the applications of peat. In Jilin Province alone, four colleges and institutes are working on the subject. [Text] [Beijing XINHUA in English 1325 GMT 13 May 85 OW]

BEIJING BUILDING HOTELS, HOSTELS--Beijing, 14 May (XINHUA)--There were 2,709 hotels and hostels in Beijing by April this year, tripling the number in 1983, today's BEIJING DAILY reports. In the first quarter of this year alone, the paper said, 482 hostels with 42,997 beds were opened, of which about 90 percent are run by collectives and individuals, with encouragement from the local government. However, because of the increasing number of transients in the city--sometimes as many as 800,000 a day--Beijing still faces a shortage of accommodation. Half of the existing hotels and hostels are in the suburbs of the city, the paper said, but most travellers are reluctant to stay far from the center. A Beijing construction official told XINHUA that additional hotels and hostels with an estimated 600,000 beds are expected to be built by 1990, mostly in the inner city. [Text] [Beijing XINHUA in English 0840 GMT 14 May 85 OW]

CSO: 4020/220



DOMESTIC TRADE

MINORITIES URGED TO TRADE WITH OTHER AREAS

OW160849 Beijing XINHUA in English 0833 GMT 16 May 85

[Text] Beijing, May 16 (XINHUA)--China's ethnic minorities should begin trading with the better developed areas of China and the world to speed up their own economic development, says an article in the latest issue of "Red Flag."

The article, by a staff writer, proposes that the government introduce special policies to help minority areas attract funds, technology and trained workers. The policies should be even more flexible than in areas inhabited by ethnic Hans, it says.

China has 55 minority nationalities, with a combined population of about 60 million. They reside mainly in the less developed areas in China's north-west, southwest and south.

In some places, over 50 percent of the population are illiterate. The slash and burn method of agricultural production is still being used in some extremely backward areas, the article notes.

Since 1979, Xinjiang, Guangxi, Ningxia and Tibet where ethnic minorities represent the majority of the population and national autonomy is exercised, 2,600 agreements on cooperation have been signed with more developed parts of China.

More than 5,000 people from the Inner Mongolian, Guangxi Zhuang and Ningxia Hui Autonomous Regions have been sent to Shanghai, Beijing, Xian and other cities for training in the fields of science, education and medicine.

The government is providing financial and material assistance to areas inhabited by the ethnic minorities. But from now on, such assistance will be used mainly to boost production and improve economic efficiency, the article stresses.

In the past, the government covered losses incurred by local factories. From now on, the article says, funds will be allocated to help these factories improve production and management so they can show a profit.

Commodity production will also be encouraged, particularly by cooperatives and individuals.

DOMESTIC TRADE

ANHUI GOVERNOR ON COOPERATION IN INVESTMENT

OW150953 Beijing XINHUA in English 0725 GMT 15 May 85

[Text] Hefei, May 15 (XINHUA)--Underdeveloped Anhui Province is cooperating with 20 other regions on 400 economic, financial, technical and personnel exchange projects.

According to the provincial statistics bureau, the province is using five hundred million yuan of capital from other parts of the country.

Governor Wang Yuzhao said here today cooperation was "a strategic policy for the province's development."

Anhui has 51 verified minerals such as coal, copper, iron and sulphur. It ranks sixth in the nation in the production of food grains, edible oils, cotton, jute and tea, transportable to Shanghai, Jiangsu, Zhejiang and elsewhere where capital and skills abound.

In 1983, Zhejiang invested 81 million yuan in a coal mine at Liujiao with an annual capacity of 600,000 tons.

Shanghai will invest 40 million yuan in the Dongling Xinjiao troilite mine, receiving upon completion 150,000 tons of troilite ore annually as compensation.

Anhui and Shanghai are also co-producing bicycles, wristwatches and sewing machines, the three most popular buys in China, especially with peasants.

CSO: 4020/226



FOREIGN TRADE AND INVESTMENT

MOST SINO-FOREIGN JOINT VENTURES PROFITABLE

OW171048 Beijing XINHUA in English 0710 GMT 17 May 85

[Text] Beijing, May 17 (XINHUA)--Most Sino-foreign joint ventures in China are making a profit, according to "International Business."

A recent survey indicates that 88 of the 98 ventures in eight provinces and municipalities showed a total profit of 84,210,000 yuan last year.

Joint ventures with foreign firms begun since July 1979 account for nine percent of China's total capital construction investment for the period.

Firms from 24 countries have invested in China over the past five years, not counting Hong Kong, Macao and Overseas Chinese firms.

Last year 151 joint ventures were set up in China with partners from the United States, Western Europe and Japan, accounting for 35 percent of foreign investment in China.

Forty-three percent of Sino-foreign joint ventures are in metallurgy, machinery, electronics, energy, transportation, chemicals, building materials and posts and telecommunications.

Light industry, textiles, food processing, pharmaceuticals and forestry account for 25 percent of joint ventures and tourism and service trades for 26 percent.

CS0: 4020/226

FOREIGN TRADE AND INVESTMENT

COMPLAINTS ABOUT LEGAL IMPEDIMENTS TO U. S.-CHINA TRADE AIRED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 1, Jan-Feb 85 pp 43-47

[Article by Chen Shibiao [7115 2514 2871]: "Legal Impediments to the Full Development of U. S.-China Trade"]

[Text] Since the establishment of diplomatic ties between China and the United States, U. S.-China economic and trade relations have expanded both in scope and volume at a spectacular rate and, despite a late start, show signs of overtaking our trade with other nations. Notwithstanding some problems, bilateral trade still amounted to \$4.45 billion, making the United States China's third largest trading partner. This year we imported from the United States \$2.7 billion worth of imports, or 12.5 percent of our total imports, while we sent to it 7.7 percent of our overall exports, with a value of \$1.75 billion.

Bilateral trade makes up only one part of U. S.-China economic relations. In general, the prospects of trade and economic relations are good and the vista of cooperation in this area is broadening by the day. Currently the United States is the largest investor in China. Negotiations are either under way or have been successfully concluded on many large projects in such sectors as coal mining, coal pipeline construction, off-shore oil drilling, hydropower, TV broadcasting satellites, a ground station for earth resource satellite and joint aircraft production. Also developing apace are enterprises wholly owned by American firms and joint ventures between Chinese and American businesses. Among the more important economic and trade agreements which the two nations have negotiated are the industrial and technical cooperation agreement and the agreement to avoid double taxation, which have been signed, and a third agreement on cooperation in the peaceful use of nuclear energy, which has been initialled.

U. S.-China trade in technical products has been increasing significantly. In 1983, we imported three times as much machinery and equipment from the United States as we did in 1982, making that country the supplier of 18.6 percent of our machinery and equipment imports, up from 2.5 percent in 1982. This is a new factor fueling the growth of U. S.-China trade. In recent years, we have made further progress in our cooperation with the Office of Trade and Development Planning and the Overseas Private Investment Corporation of the Agency for International Development. By and large, bilateral economic and technical cooperation, especially where large projects are concerned, takes a longer lead time

and bears fruits only slowly, in contrast to the sales contract last year for 220 internal combustion engines, a deal with a price tag of almost \$330 million. Having said that, it remains true that U. S.-China economic and technical cooperation has a bright future.

Even while we celebrate the bright prospects, we can also see that it will not be smooth sailing all the way for future U. S.-China economic and trade relations and technical cooperation. Many barriers lie ahead. At a press conference after the second meeting in May 1984 of the Joint Sino-American Business and Trade Council, Chen Muhua [7115 1970 5478], a member of the State Council and concurrently Minister of Foreign Trade, noted that since the establishment of diplomatic ties between China and the United States, the rapid growth in bilateral economic relations and trade is there for all to see. But there remains a big gap between actual achievements and potential. She pointed to certain artificial impediments and issues in bilateral economic and trade relations which have been blocking realization of this potential and appealed to both nations to make greater efforts to open up a new phase in their economic and trade relations.

Developing bilateral trade and economic potential to the fullest depends on numerous factors, of course, but the restrictions imposed by the United States on bilateral trade must be held largely responsible for stunting such potential. We attach a good deal of importance to the impact of law on trade. It can be a hindrance as well as a help, depending on the intent behind the piece of legislation concerned. In most cases, United States restrictions on trade and technical and economic cooperation with China have their legal basis in the trade policies of the country as embodied in various acts. Therefore, to eliminate the many problems besetting U. S.-China economic and trade relations, we must go to their source by seeking the amendment or repeal of laws which have outlived their usefulness.

Most of these laws were enacted in the 1950's and 1960's for reasons which are now common knowledge. Testifying before the House Foreign Affairs Committee in July 1981, Assistant Secretary of State John Holdridge admitted, "Some United States laws and regulations have hindered the development of U. S.-China relations." He cited four pieces of legislation: the "Foreign Assistance Act of 1961," the "Agricultural Trade Development and Assistance Act of 1954," the "Trade Act of 1974," and the "Trade Agreements Extension Act of 1951." In response to a query by Congressman Solarz, chairman of the Asian and Pacific Affairs Subcommittee of the House Foreign Affairs Committee, concerning legislation which restricted trade expansion with China, the National Council for U. S.-China Trade cited the "Export-Import Bank Act of 1945" as well as the four acts mentioned above.

In a message to the House Foreign Affairs Committee, Secretary of State George Shultz declared, "It has always been the long-standing goal of the Reagan Administration to amend those laws which discriminate against China or treat China as a member of the Soviet bloc. Some of our laws were written in the language of the Cold War and Korean War era. It was appropriate at the time to consider China a close ally of the Soviet Union." "Today this perception is no longer correct. The laws in question are not in keeping with our policy to regard China as a friendly non-ally."

We are aware of indications by the U. S. Government that it intends to review certain outdated legislation and will seek to amend it through proper Congressional actions so as to bring them into line with the current state of Sino-American relations. In recent years, the U. S. Government has begun to move in this direction, which is to be welcomed. On 10 March 1982, Alexander Haig, then Secretary of State, submitted to Congress on behalf of the Reagan Administration the International Security Development Bill of 1982 to honor the commitment he made during a visit to China in June 1981 that the United States would repeal outdated legislation through legal procedures. In the first half of 1982, Congressman Gibbons, chairman of the Trade Subcommittee of the House Appropriations Committee introduced a motion to amend a provision in the "Trade Agreements Extension Act of 1951" which banned the importation of seven kinds of furs from China. The motion was passed by the Senate and the House of Representatives in September and December 1982, respectively, and signed by President Reagan in January 1983, thereby deleting the "People's Republic of China" from Article 103 of the Customs Regulations, which hitherto had barred the importation of seven kinds of furs from the Soviet Union and China. Naturally, this move did not go unnoticed. Congressman Frenzel, Republican of Minnesota, said: "The wholesale banning of fur imports from China conflicted with the trade agreement between the two countries, especially with the most-favored-nation clause." Trade circles in China also considered the lifting of the prohibition a gratifying move on the part of the United States. In addition, we have taken note of actions by the U. S. Government to relax restrictions blocking the exportation of technical products to China. However, to make sure the potential of U. S.-China economic and technical cooperation and bilateral trade are fully tapped, we expect the U. S. Government to take further concrete steps.

Existing trade legislation in the United States discriminates against China. Provisions abound which either mention China by name or obviously include us implicitly. Below is an outline of the more outstanding problems affecting U. S.-China economic and trade relations.

#### 1. Most-Favored-Nation Treatment

Although the "Trade Relations Agreement between the People's Republic of China and the United States" explicitly stipulates that the two nations grant each other most-favored-nation treatment, the U. S. Congress, invoking Article 402 of the "Trade Act of 1974," that is, the Jackson-Vanik Amendment, each year unilaterally reviews our immigration policy before deciding whether or not to grant us most-favored-nation treatment. Adopted by Congress in December 1973, the Jackson-Vanik Amendment essentially "denies most-favored-nation treatment to countries with restrictive immigration policies." While the amendment was then aimed at the Soviet Union, its broad language has also adversely affected U. S.-China trade. Testifying before Congress, a representative from the National Council for U. S.-China Trade pointed out, "Despite the trade accord between the two countries, the Jackson-Vanik Amendment has introduced an element of instability in bilateral trade and created unnecessary barriers in the path of American firms doing business with China." Consequently, some American friends have suggested that Congress review China's immigration practices every 3 to 5 years, arguing that an annual review is unnecessary. Although this is a well-intentioned suggestion, it does not solve the problem fundamentally, even if it is adopted.

The basic point is that since most-favored-nation treatment is a bilateral arrangement of mutual benefit, the United States should not in the first place resort to unilateral "reviews," which violates the principle of reciprocity and is at odds with the present state of U. S.-China relations.

## 2. Generalized Preference Treatment

China is a developing nation. Article 2, Section 6 of the U. S.-China trade relations agreement is explicit: "The contracting parties note, and shall take into consideration in the handling of their bilateral economic and trade relations, that, at its current state of development, China is a developing nation." At present, all Western nations, except the United States, have accorded to China generalized preference treatment. What has prevented the United States from doing likewise is Article 502 of the "Trade Act of 1974," which specifies the conditions a communist nation must fulfill before it is granted generalized preference treatment. They are: 1) the nation must be eligible for most-favored-nation treatment; 2) it must be a party to the "General Agreement on Tariffs and Trade" (GATT); and 3) it must not be controlled or dominated by international communism. Following the signing of the U. S.-China trade relations agreement, which made us eligible for most-favored-nation treatment, and the restoration of our representation rights at the International Monetary Fund in April 1980, the only reason why the United States still has refused to grant us generalized preference treatment is the fact that we are not yet a member of GATT. As we all know, China was one of the nations which established GATT; what has yet to be resolved is the restoration of our status as a GATT signatory. Over 80 percent of our trade is with GATT members. Our government right now is preparing for our entry into GATT. But all this is secondary to the fact that the U. S. Government, invoking domestic legislation, makes GATT membership, among other things, a precondition for granting us generalized preference treatment. This setting of preconditions is not proper in itself. According to a resolution adopted by the Trade and Development Conference of the United Nations, generalized preference is a "generalized, nonreciprocal, nondiscriminatory" tariff preference system granted by developed nations to the exports of developing nations. The very act of setting special conditions in its own legislation applicable to socialist countries conflicts with the three major principles of "generalized, nonreciprocal and nondiscriminatory" and with the nondiscriminatory treatment provided for in the U. S.-China trade relations agreement.

The denial of generalized preference treatment to Chinese exports has naturally adversely affected U. S.-China trade. In April 1981, the United States International Trade Commission held a hearing on the possible impact on American industry in case the United States extended generalized preference to China. At the hearing, the National U. S.-China Trade Council appealed for support for such a move. In a letter to the commission, the Import Promotion Committee of the council said: "Granting generalized preference to China can help reduce the production costs of domestic manufacturers and make them more competitive in both the domestic and international markets. As a result, more job opportunities will be created and inflation will be checked. At the same time, generalized preference helps China increase its hard currency earnings which, in turn, will strengthen its ability to purchase and pay for American equipment and technology, to the benefit of bilateral trade." These words succinctly sum up how the United States



and China can benefit if the latter is granted generalized preference status.

### 3. The Question of U. S. "Aid" for China

Article 620, Section F of the "Foreign Assistance Act of 1961" prohibits the granting of aid to communist nations, and named China, among others, as such a nation. In March 1982, Senator Percy proposed an amendment to remove China from the list of nations barred from receiving "assistance." The proposal met resistance on the floor of the Senate and nothing came of it.

The foreign agricultural assistance legislation of the United States is the "Agricultural Trade Development and Assistance Act of 1954," also known as "Public Law 480." Article 103, Sections D and J of the act direct the U. S. Government to provide "assistance" as defined by that act only to those "friendly nations" which are not controlled or dominated by the international communist movement. In carrying out the law, the U. S. Government has consistently excluded China from its list of "friendly nations." At a hearing on amendments to the act held by the Senate Agriculture Committee in April and May 1982, Senator Percy suggested that a provision be inserted in the act which would make China eligible for agricultural trade assistance under "Public Law 480." However, the Agriculture Committee rejected the proposal and settled instead for a "non-statutory" report at the end of the act to the general effect that "in light of changes in the nature of U. S.-China relations, the President, on the basis of existing legislation, can consider China a friendly nation if he is satisfied the People's Republic of China meets the conditions set forth in Article 103, Sections D and J." However, owing to failure to change the language of the act itself and the fact that the above report can be interpreted in many different ways, China remains excluded from the "friendly nations" under "Public Law 480." Whether China is willing to accept such "assistance," of course, is something else. But the point is that our exclusion flies in the face of American claims that "China is a friendly non-ally of the United States."

### 4. United States Credit for China

In our all-out drive for the four modernizations, we need capital construction as well as advanced technology. Capital construction requires massive funds, and since it involves long-term projects, it is also dependent on low-interest loans with long maturing periods. The problem here is that current foreign aid legislation of the United States excludes China from the recipients of such loans.

According to the trade relations agreement between China and the United States, the two countries are to facilitate the availability of official export credits on the most favorable terms appropriate under the circumstances for transactions in support of economic and technical projects and products between firms, companies and trading organizations of the two countries. But this article has not been conscientiously implemented because of some particular provisions in the legislation of the United States, including the following:

(1) the "Export-Import Bank Act of 1945," which prohibits the bank from making loans to communist nations, unless the President decides that such loans advance American national interests.

(2) Article 402 of the "Trade Act of 1974," which requires the President to review annually China's immigration practices and makes the granting of loans (including Export-Import Bank loans) and loan guarantees contingent on such a review.

(3) Article 620, Section F of the "Foreign Assistance Act of 1961," which requires presidential approval for Export-Import Bank loans to China over \$50 million.

Despite Vice President Mondale's proposal during a visit to China in 1979 that the Export-Import Bank provide \$2 billion in loans to China in the next 5 years, each loan must be "examined and approved item by item." By affecting the way in which we use official American credits, legislative barriers put up by the United States have naturally undermined the full development of American export potential. Reportedly the U. S. Government has written to Congress demanding the revision of certain provisions in American foreign aid legislation which were aimed at China but have outlived their usefulness, but no concrete results have been produced so far.

#### 5. Restrictions on United States Exports to China

Restrictions on the exportation of technical products to China are another factor hindering the development of American export potential. Commerce Secretary Malcolm Baldrige said, "The United States intends to study carefully the administrative impediments in U. S.-China trade. These impediments often get in the way of American firms to a greater extent than regulations imposed by other governments on private enterprise." The U. S. Government has made some positive moves in recent years to relax the curbs on American exports to China. While its efforts must be applauded, the pace has been rather slow.

In June 1983, the U. S. Government moved China from Group P to Group V in its classification of nations for export restriction purposes. Group V includes member nations of NATO and some developing nations, so Washington has claimed that China is being regarded as a "friendly non-ally" and that it will "export to China on a similar basis as it is exporting to most other friendly nations." However, it must be pointed out that even while the government declared a relaxation of curbs on exports to China, it also emphasized that "this change notwithstanding, it retains the right to restrict the exportation of certain products and technology in the interest of national security" and that "all nations in Group V are not treated alike."

American industrial and trade groups have asked the government to further liberalize trade restrictions on China. They generally agree that with restrictions further eased, American technical exports to China can expect to increase to \$2 billion, up from the present \$800 million. Potential in the joint development of hydropower, coal and off-shore oil drilling are even greater.

To sum up, tremendous potential exists in bilateral economic and technical cooperation and trade. The prospects are very promising for further cooperation between the two countries in an ever increasing number of areas in the second



decade of U. S.-China relations. To ensure the full development of such potential, much work remains to be done to remove barriers built into American laws. Both sides have done much in this regard in the past. If we both make further efforts, we will certainly succeed in paving the way for even broader cooperation in the future.

12581

CSO: 4006/535

## FOREIGN TRADE AND INVESTMENT

### BENEFITS OF WHOLLY OWNED FOREIGN VENTURES DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 3, 27 Mar 85 p 18

[Article by Zheng Yan'er [6774 6056 1422]: "The Problem of Setting Up Foreign Ventures at Home"]

[Text] Setting up wholly-owned foreign enterprises is an effective way of absorbing direct investment from abroad. Internationally, this method has already been popularly adopted. At present, with the exception of restricting wholly-owned foreign ventures in relation to the military industry, the United States, various countries of the European Economic Community, and Japan have generally allowed wholly-owned foreign ventures. In light of the needs of their economic development, many developing countries are also permitting the setting up of wholly-owned foreign ventures. In addition, various countries are encouraging the establishment of wholly-owned foreign ventures in their special economic zones such as the export processing zones and free trade zones.

Our country has clearly stipulated in its Constitution that the setting up of wholly-owned foreign ventures by foreign businessmen is permitted. By the end of 1984, approval had been given to foreign businessmen to set up over 70 of these in China. Most of these enterprises are in our four special economic zones. In light of the practice of the last few years, these enterprises are beneficial to promoting the development of China's economic construction. First, they can bring in advanced technology and management experience. Wholly-owned enterprises assume independent management and sole responsibility for their own profits and losses. In order to strengthen their productive and competitive ability and obtain profits, they must make use of advanced technology and adopt scientific methods of management. Although the foreign businessmen may adopt strict measures to guard the secrets of these technologies and management experiences, we can enter into negotiations for exchange, cooperation or purchase without having to go too far.

Furthermore, these enterprises are in themselves very good comparative models for high efficiency through modernized technology and management. They can help our country's enterprises see where they lag behind and promote the improvement of their technological and management levels. Second, these enterprises can increase China's foreign exchange income. There is income tax, income from the use of land, income from the wages of the workers and labor welfare, and other types of foreign exchange income such as road maintenance fees,

rent, food supply charges and other commodity supplies. There is also foreign exchange income from the supply of raw materials needed for production at home, such as water and electricity, fuel, and raw and subsidiary materials for production. This is equivalent to expanding our exports. Third, these enterprises can also promote the development of certain regions at home and promote the building of public facilities and other related construction projects in some cities, including the development of communications and transportation, telecommunications, culture, education and public health work and social welfare facilities. Fourth, these enterprises can increase the employment of a portion of the labor force and train all kinds of useful personnel. Fifth, these enterprises also contribute to enabling our country to learn from certain useful experiences of the capitalist economic development and to promoting the reform of our country's enterprise management as well as certain aspects of our national economic system.

We should also be able to see that the permission to set up wholly-owned foreign ventures in our country is also a very attractive event for the foreign businessmen. First, it is because our country has an abundant labor force which is relatively inexpensive. Relevant data from the United States show that the investment results of the transnational companies in the developed countries are much lower than in the developing countries. The primary source of higher profits is the cheap labor force of the developing countries. In 1980, the average labor compensation paid per hour by transnational companies was \$6.34 in the developed countries and only \$1.34 in the developing countries. In this respect, our country is very attractive to the foreign businessmen. Second, China has vast land and rich material resources. We have certain resources which other countries do not have, and a relatively abundant and complete variety of resources. Our prices for raw materials and the use of land are relatively low compared to the international market. There is profit to be gained for the foreign businessmen in setting up wholly-owned enterprises in our country. Third, our country has a large market, which is also very attractive to those foreign businessmen who can use their advanced and unique technologies to manufacture products that China imports in large volumes or has difficulty importing. As long as our policy is correct and we do our work well, we can attract foreign businessmen to set up all kinds of wholly-owned foreign ventures which our country needs.

At present, in encouraging establishment of wholly-owned enterprises, our focus is on those productive enterprises which adopt advanced technologies, those undertakings which update their technologies at a faster pace, or those projects which are urgently needed for our country's economic construction but which we are still unable to invest in for a considerable period of time. In principle, we allow wholly-owned ventures in those projects which will have a positive influence on our country's economic construction. However, we must strictly restrict or prohibit those enterprises which will bring about serious pollution to our country's social and living environment or natural environment, those enterprises which produce export products which will take up our country's export quotas, those projects which involve our national security, and those enterprises which produce or manage commodities that are prohibited by our government.

We are still quite inexperienced in the setting up of wholly-owned foreign ventures at home. We must continue to probe and sum up our experiences in practice. We should develop these enterprises in a down-to-earth and proper manner, and operate and let them mature one at a time.

FOREIGN TRADE AND INVESTMENT

LIAONING GOVERNOR CITED ON FOREIGN TRADE

OW180426 Beijing XINHUA in English 0238 GMT 18 May 85

[Text] Shenyang, May 18 (XINHUA)--Several areas around Dalian, one of China's 14 open coastal cities, will be developed into a major export goods production center in the next three to five years.

"Local production should be arranged in the order of trade, industry and agriculture in southern Liaoning as in the Yangtze and Pearl River deltas," said Liaoning Governor Jin Shuren at a recent provincial conference here on economic relations and trade with foreign countries.

The Liaoning peninsula, with an area of 94,000 sq km, is a major producer of fruit, grain and aquatic products. It also furnishes 85 percent of the industrial output value of Liaoning, China's leading heavy industrial center.

The latest decision of the provincial government to let it concentrate on producing export goods was made in response to a call by Premier Zhao Ziyang.

During an inspection tour of the province last year Zhao said the peninsula should follow the same pattern as the Yangtze and Pearl River deltas in economic development.

The provincial bureau of agriculture and animal husbandry has decided to solicit 33 million U.S. dollars of foreign investment to boost local production of apples for export, Jin said.

Also planned are farms producing grain and native produce for export, as well as factories and plants producing petrol, chemicals, and metallurgical and other industrial products in demand on the international market.

Between 1979 and 1984, Liaoning imported 1,300 items of technology to upgrade existing enterprises.

More will be imported to help increase export production, Governor Jin said.

CSO: 4020/226

FOREIGN TRADE AND INVESTMENT

XIZANG BORDER TRADE WITH NEPAL, OTHERS GROWS

OW190744 Beijing XINHUA in English 0656 GMT 19 May 85

[Text] Lhasa, May 19 (XINHUA)--All Tibet's six prefectures and cities are now empowered to conclude trade agreements with neighboring countries, said the regional foreign trade department today.

Xigaze Prefecture alone struck deals to export 4.12 million yuan worth of goods to Nepal this year.

Under an agreement signed last September, Tibet will export annually to Nepal 700 tons of wool, 5,000 live sheep, textiles and other consumer goods from 1985 until 1987.

In return, Nepal will supply Tibet with rolled steel, 5,000 tons of cement, 7,000 tons of rice and 3,000 tons of flour each year.

"Border trade has become a major part of Tibet's foreign trade," an official said.

There are now 27 barter trading posts along the Tibet-Nepal border. At Zhankou'an alone, Tibetans exported nearly 500 tons of wool and other commodities in the first half of last year in exchange for Nepal's silks, snuff and rice.

The volume of trade handled by Tibet's state-owned import and export companies with their Nepalese counterparts reached nearly 14 million yuan, seven times the figure for 1963, when bilateral trade relations began.

Exports of Tibet's wool and medicinal herbs via coastal ports were worth over two million U.S. dollars in 1984, and imports of motor vehicles, medical apparatus and pesticides amounted to 4.5 million U.S. dollars.

CSO: 4020/226

## FOREIGN TRADE AND INVESTMENT

### GUANGZHOU TO STRESS COMMERCE, SERVICES IN FUTURE

OW150752 Beijing XINHUA in English 0728 GMT 15 May 85

[Text] Guangzhou, May 15 (XINHUA)--Work began here today on a 55-storey commercial building as part of Guangzhou's efforts to grow into an international commercial and service city.

In all, three commercial buildings of 40 to 50 storeys will be put up in the downtown area over the next five years, said Vice-Mayor Deng Hanguang.

In the past four months, nearly 200 million yuan has been raised by Chinese individuals and companies and overseas business people for buildings covering about 290,000 square meters.

The buildings will house department stores, exhibition halls for manufactured goods from other parts of China, restaurants to serve popular Chinese food and amusement centers.

Deng said: "I'm confident of developing Guangzhou into an international commercial city, as Guangzhou is southern China's major gateway to other parts of the world and enjoys the status of a province in handling foreign economic relations and trade."

He said the city would do everything possible to provide both foreigners and Chinese with the best services in eating, shopping, accommodation, travel and recreation.

More foreign capital and technology will be brought in to upgrade existing commercial and service facilities.

The tourist sector will be boosted. Construction of two tourist areas will be speeded up and a large amusement park will be built with foreign investment.

Overseas tourists will enjoy new services, including shooting, camping, horseracing, cycle racing and honeymoon and bicycle tours.

Guangzhou also plans to directly sell local farm and industrial products in the United States, Canada and Southeast Asia. Negotiations are under way with foreign business people.

Deng said training would be intensified to improve workers' skills and services. An institute to train managerial staff has just opened here.



FOREIGN TRADE AND INVESTMENT

SHAANXI PROVINCE TO PROMOTE TOURIST INDUSTRY

OW151351 Beijing XINHUA in English 1241 GMT 15 May 85

[Text] Xian, May 15 (XINHUA)--Shaanxi Province has decided to build its tourist industry into a major moneymaker by the end of the century according to plans made at a recent work meeting here.

Xian, the provincial capital, known as Changan in ancient times, was the seat of power of dynasties beginning with the Western Han in 206 B.C. It has numerous sites of historic interest including the tombs of 72 emperors.

The life-size terracotta army unearthed near Xian at the tomb of the first Chinese emperor, Qin Shi Huang Di, is regarded as one of the wonders of the modern world. Many more fabulous finds are expected to be uncovered in the next decade.

Shaanxi expects to receive 300,000 tourists from abroad and five million from China by 1987. This will be double the 1984 figure and tourist generated income is expected to more than double.

By the year 2000, according to the plan, foreign tourists will number about 1.5 million and domestic almost 20 million.

The province plans to open up about 400 new tourist spots over the next decade, quadrupling the present number. Air and motor transportation facilities will be improved, hotel beds will increase by 20,000 and personnel will be trained to handle the influx of tourists, including guides and translators.

Over the past six years, the number of foreign tourists visiting Xian and other parts of Shaanxi Province has increased at an annual rate of 46.8 percent, ranking first in China.

CSO: 4020/226

FOREIGN TRADE AND INVESTMENT

SHANXI LISTS PROJECTS FOR OVERSEAS COOPERATION

OW071339 Beijing XINHUA in English 1303 GMT 7 May 85

[Text] Beijing, May 7 (XINHUA)--Shanxi Province in north China has selected 174 projects this year for cooperation with overseas firms, deputy governor of the province Bai Qingcai announced at a news briefing held here today.

To accelerate its modernization drive, Shanxi started using foreign funds and expanded its economic cooperation with overseas firms last year.

The projects cover coal mining and transportation technology and equipment, technical transformation of the existing iron and steel enterprises, building materials production lines, metallurgical technology and equipment, as well as electronics, chemicals, textiles and other light industries.

Bai said discussions on these projects will be held during an export commodities fair sponsored by the province in Hong Kong this July, and a symposium on international economic and technical cooperation will be held in Taiyuan, capital of the province, during the latter part of August this year.

Shanxi abounds in mineral resources. To date, the verified coal reserves come to more than 200 billion tons, ranking the first in the country. Next to coal are bauxite and iron ore with known deposits of over 500 million tons and 2.9 billion tons, respectively. The deposits of non-metal ores such as limestone, gypsum, feldspar, asbestos, mica, graphite and marble are all sizable.

Bai said the central government has decided to turn Shanxi Province into a base for the energy, and heavy and chemical industries.

The province published its first group of 140 projects for overseas cooperation last year. By the end of March this year, agreements or contracts had been signed with overseas firms on 83 projects, of which 16 had gone into operation. Most of the others are expected to go into operation by the end of this year. These projects involve coal mining, electronic, textiles and food industries.

Bai said the province hosted more than 440 businessmen from 26 countries and regions in 1984, who had come for talks on economic and technical cooperation.

"Foreign friends of financial, industrial, technological and other circles are all welcome to cooperate with us and make investment in the province," he added.

CSO: 4020/226

FOREIGN TRADE AND INVESTMENT

FOREIGN-BACKED BUSINESS, JOINT VENTURES SPREAD

OW082224 Beijing XINHUA in English 1831 GMT 8 May 85

[Text] Beijing, May 8 (XINHUA)--More than 2,100 Sino-foreign joint ventures, co-operative enterprises and businesses wholly backed by overseas firms have been established in China since 1981, an official of the State Administration of Industry and Commerce said here today.

According to registration figures, these businesses have employed more than 160,000 workers, 11,000 of them foreigners.

Most of the overseas investors in these enterprises are from Hong Kong and Macao regions, Japan, the United States and Britain said the official.

More than 870 enterprises are engaged in industrial production, 345 in service trades, 197 in construction and 185 in commerce and catering. The others mainly deal with communications, transport and farming.

Various businesses have been springing up across China since the country started pursuing policies of opening to the outside world and reinvigorating the economy.

During the 1981-84 period, more than 2,240,000 enterprises registered at the state administration--60 percent more than in the entire preceding 30 years.

By the end of 1984, 3,680,000 enterprises had been registered. More than 800,000 were state-owned, employing 56,820,000 workers, and 2,850,000 were collectively owned, with a total workforce of 70,290,000.

The senior official said the registration of enterprises began in the early 1950s.

It was interrupted by the Cultural Revolution, but the work was continued in 1979, when a general survey was carried out throughout the country.

The registration of enterprises shows the development of various trades and professions, and can help to improve management. The registered enterprises have legal status and enjoy the legal protection.

Service trades, including commerce, communications, transport, catering, repairing and tourism, have developed rapidly over the past few years.

By the end of 1984, 2,500,000 such enterprises had been registered, employing 29,600,000 people. These figures were up 25.46 percent and 44.2 percent respectively over 1981 figures.

However, the senior official said that efforts should be made to speed up the development of service trades to meet the needs of industrial and agricultural production as well as the general public.

The contracting of production responsibility, with rewards linked to output, which has spread in rural areas over the past few years, has helped free a great many people from the land, and more and more peasants are now engaged in farm and sideline produce processing, communications, transport, commerce and mining. This is boosting the growth of township enterprises.

Of registered collective-owned enterprises at the end of 1984, more than 1,120,000 were township-run, employing 33,040,000 people. The figures were up 36 percent and 28 percent respectively compared with 1983.

CS0: 4020/226

FOREIGN TRADE AND INVESTMENT

CHINA-TURKEY TRADE RELATIONS REVIEWED

Sofia OTECHESTVEN FRONT in Bulgarian 18 Mar 85 p 6

[Excerpt from an article by Lyubomir Gabrovski: "A Fading Shadow on the Thirty-Eighth Parallel"]

[Excerpt] As political observers in the Turkish capital point out, from the point of view of trade interests for Turkey, the development of political relations between the two countries will be of use. The talks which Turkish leaders had with Chzhan Tsinfu touched primarily on the present state and future development of trade and economic cooperation, which is based on a trade agreement from 1974, and an agreement about economic, industrial, and technical cooperation from 1981. As certain data show, in the last 5 to 6 years, the political sphere, rather than trade and economic relations, has been given the primary emphasis in the development of Turkish-Chinese relations, for the "results are quite modest, given the possibilities of the two countries," as the Chinese vice minister chairman pointed out. From 2,019,000 dollars in 1980, Turkey's exports to China reached 36,119,000 dollars last year. During the same time, imports from China moved from 212,000 to 7,422,000 dollars. Turkey exports primarily agricultural products, as well as certain ores, artificial fertilizers, synthetic fabrics, and metallurgy products, and it imports organic and inorganic chemicals, optical devices, machines, and raw silk.

In the protocol of the Joint Commission on Economic Cooperation which was just concluded, it was noted that the goal for this year's commodity exchange is to reach the 100,000,000 dollar mark. A basic resolution was adopted to develop projects jointly which would build small thermoelectric and hydroelectric power plants in Turkey. In the near future a direct air link between Istanbul and Peking will be opened. During the time of his visit at the trade and industrial ministry, the Chinese vice minister chairman called on Turkish business circles to devote as much attention as possible to China's economic and trade opportunities. He expressed the desire of the Chinese leadership for Turkish firms to participate, either with Chinese capital or with their own, in investing in zones of free trade and industry, whose number will soon reach 14. There was an offer of joint mediation activity in the Middle East region. An invitation was extended to the leaders of Turkish business circles to visit China and to acquaint themselves on the spot with the concrete projects, which could aid in achieving understanding and cooperation.



An expression of the developing political and economic ties can be seen in the resolution of the People's Republic of China to open a consulate general in Istanbul, with a view toward ameliorating contacts between businessmen in the two countries. One also cannot overlook the parliamentary group which has been created for Turkish-Chinese friendship, which is headed by the vice general chairman of the Fatherland Party, Halil Shuvgun, who recently visited China. It was noted in KHYURIET that the parliament deputies displayed great interest in "mysterious Eastern land," with the greatest population in the world, a marvellous cuisine, and of course, the world-famous Great Wall.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

SINO-U.S. FLOUR MILL--Beijing, 26 Apr (XINHUA)--Set of wheat processing equipment granted gratuitously by the U.S. wheat associates to China was officially put into operation here today. The 1 million U.S. dollar-equipment is able to process 150 tons of wheat a day. Using the equipment, the Beijing Municipal Grain Bureau has started a flour mill. The U.S. wheat associates will help train Chinese and foreign technicians, using facilities of the Beijing China-U.S. Demonstration Flour Mill. [Text] [Beijing XINHUA in English 1620 GMT 26 Apr 85 OW]

INTERNATIONAL SHANGHAI HOTEL LOAN--Hong Kong, 1 May (XINHUA)--An international banking consortium will extend 85 million U.S. dollars in a loan to build the Jingan Hilton, a joint-venture hotel in Shanghai, under an agreement signed here yesterday. The 43-storey, 800-room hotel, scheduled to open in 1987, will be built by Cindic Hotel Investment Co. Ltd. of Hong Kong, set up by the Cindic (Holdings) Ltd. of Hong Kong and Hilton Hotels of the United States. The Shanghai partner will provide a construction site and undertake infrastructure projects. The consortium is composed of 12 banks from the Netherlands, France, Canada, the United States, Japan, Australia, and Hong Kong. The loan is to be repaid in 10 years. [Text] [Beijing XINHUA in English 1436 GMT 1 May 85 OW]

SWISS COMPANY BEIJING OFFICE--Beijing, 29 Apr (XINHUA)--The Tettex Company of Switzerland officially opened its Beijing representative office here this evening. This is the 11th resident office set up in Beijing by a Swiss enterprise. Tettex has been a major trade partner since the 1950's. It mainly exports to China precision electrical instruments and equipment. The total volume of trade with China in 1984 was nearly four times that of 1983. Two-way trade between China and Switzerland came to more than 600 million U.S. dollars in 1984. [Text] [Beijing XINHUA in English time not given 29 Apr 85 OW]

TRADE TALKS WITH BRITISH GROUP--Beijing, May 6 (XINHUA)--Chai Zemin, vice-president of the Chinese People's Institute of Foreign Affairs, met and hosted a banquet here this evening for former British Prime Minister Harold Wilson and his party. Wilson, who is now a member of the board of the International Conference and Exhibition Group Ltd. and his party arrived here May 4 at the invitation of the Chinese institute. They will talk with Chinese departments concerned about trade and technical cooperation between

the two countries, as well as technology transfer from medium and small British enterprises, and the possibilities for opening joint ventures. [Text] [Beijing XINHUA in English 1837 GMT 6 May 85 OW]

MINERAL VENTURE WITH SOUTH AMERICAN FIRM--Zhengzhou, May 8 (XINHUA)--A Sino-foreign joint venture to develop the rich mineral resources of Henan Province will be opened here soon under a contract just signed. The Central China-Sanbar Development Company Ltd. will be set up by a local trade company and the Panama branch of the multinational South American Sanbar Company. The joint company plans to build quarries with an annual production capacity of half a million square meters of marble and granite, an aluminum plant to produce 200,000 tons a year and a cement plant to turn out 600,000 tons initially. It will also spend 30 million U.S. dollars increasing the daily production capacity of a local molybdenum mine from 500 to 3,000 tons. [Text] [Beijing XINHUA in English 1228 GMT 8 May 85 OW]

BUSINESS MANAGEMENT COURSES--Shenzhen, May 13 (XINHUA)--Forty senior officials are now attending special courses in modern business management given by Hong Kong specialists in the subject in the Shenzhen Special Economic Zone, Guangdong Province. The students are department leaders in the Ministry of Commerce and other senior officials; they will go on a study tour of Hong Kong after the two-month training session. "Senior personnel training is vital to the success of the work to restructure China's commercial set-up," said He Jihai, vice-minister of commerce. Subjects cover commercial economics, commercial enterprise management, personnel management, marketing, international trade, monetary credit and data processing. Trainees will also receive lectures on Shenzhen's experience in its efforts to attract investment from Hong Kong, Macao and foreign countries. The training session opened yesterday. [Text] [Beijing XINHUA in English 0706 GMT 13 May 85 OW]

JAPANESE ECONOMIC DELEGATION--A 171-member mammoth delegation of Japan's Dalian Economic Development Association returned to Japan by air on 22 April, winding up its visit to Dalian City. The Dalian Economic Development Association was inaugurated to help northeast China develop its economy. Headed by the association's chairman Masamune, this mammoth Japanese delegation arrived in Dalian on 19 April, aboard a direct JAL flight from Tokyo to Dalian. The delegation stayed in Dalian 4 days and visited the New Dalian Port, the Dalian Economic and Technical Development Zone, and various factories. It had talked with city authorities and those from three provinces in northeast China. As a consequence, the delegation reached agreement with the Chinese on 24 schemes out of over 80 ventures on economic and technical cooperation. [Excerpt] [Beijing in Japanese to Japan 2130 GMT 25 Apr 85 OW]

SINO-JAPANESE JOINT COMMITTEE--The Sino-Japanese Human Resources Exchange Committee was formally founded in Beijing 8 May. The committee, in cooperation with the Japanese counterparts, such as the Japan-China Human Resources Exchange Association, plans to invite Japanese engineers as advisers, or factory chiefs, for Chinese companies, and to send Chinese managers and workers to firms in Japan to acquire technological knowhow. [Text] [Beijing in Japanese to Japan 2130 GMT 9 May 85 OW]

SPECIAL ECONOMIC ZONES

ACHIEVEMENTS OF ZHUHAI SPECIAL ZONE IN 1984

Beijing RENMIN RIBAO in Chinese 8 Mar 85 p 2

[Article by Ai Pu [5337 5543] and Xiang Yongnian [3574 3057 1628]: "Economic Take-Off in Zhuhai"]

[Text] Arriving at the country's southern gate--Zhuhai--I was struck by its "fast rhythm" which is so different from what I experienced there a few years ago.

In the past, the Zhuhai Special Economic Zone only went in for haphazard developments. Since last year, however, with the help of domestic and foreign experts, it has drawn up an overall construction plan and launched large-scale high quality projects across the board. Over 40,000 people in 160 survey teams and construction crews from all over the country are now involved in the capital construction of a piece of land with a circumference of 10 sq. km. The whole zone is seething with activity and echoing to the roar of engines. At nightfall it is ablaze with lights.

Last year, the zone finished a total of 240 million yuan worth of capital construction projects, 2.7-fold higher than the total value of projects completed in the preceding 4 years. Standard factories and residential housing completed yielded a combined floor footage of 380,000 sq. m., as much as what was built in the previous 4 years.

Those were the days of slow industrial growth in Zhuhai. But a breakthrough occurred last year when contracts were signed for 604 projects financed with foreign capital. Of this number, 87 percent were industrial projects, mostly involving advanced technology. Some of them have already been completed and put into operation. Using equipment imported from several countries, electrical appliance factories have put together assembly lines to produce radio cassette recorders and color television sets with a high degree of automation. The industrial output value of the zone jumped 1.6-fold over 1983.

Industrial development has brought about a booming market and attracted a stream of visitors representing foreign and domestic industry, commerce, finance, who come to negotiate business deals. As industry, commerce and tourism expand, they also give a helpful push to agriculture. In 1984, owing to a buoyant industrial sector, the city's eight major economic indicators all doubled,

including total industrial and agricultural output value, revenue, social commodity retail volume and so on. The stage is set for all-round economic development.

#### Eliminate the "Left" Liberalize--Reform

When Wanzai, which faces Macao across a strip of water, learned last year that "man-made cotton" was selling briskly in international markets, it borrowed \$300,000, ordered advanced equipment from abroad with the loan, and put together an automated assembly line which went into service after 2 months' preparations. With its nine workers, the factory turned out 2 million yuan worth of goods in just 4 months and earned a 200,000-yuan profit. Its products are selling so well overseas that it cannot make them fast enough. So far it has earned foreign exchange totaling HK\$740,000.

This is just one of the many enterprises which have blossomed in the fertile soil of the special economic zone. And it is no accident that it did so in 1984.

Several years ago, the zone lacked a clear guiding ideology and construction goals. Some comrades, still under the influence of "leftist" ideas and the narrow conservatism of small producers, were too timid to apply the special policies and flexible measures handed down by the party Central Committee, introduce structural economic reforms, make use of loans in the interest of construction, or give preferential treatment to investors. Fearful of competition, they shied away from establishing joint enterprises with units in the interior. Apprehensive of unrest, they decided against administrative simplification or power delegation. Uncertain of the affordability of intellectuals, they refrained from recruiting experts in the country.

In early 1984, leading comrades on the Zhuhai CPC committee and in the municipal government came to realize the basic reasons for the zone's slow development and proceeded to seriously tackle "leftist" influences among cadres. And the zone came to life.

Preferential policies have been instituted which allow enterprises involving foreign or domestic capital to go in for multi-trade and inter-regional operations. A host of stifling restrictions has also been abolished. As a result, both enterprises owned by foreign business and those linked with the interior are cropping up all over. Last year, it attracted 6.4-fold more projects financed by foreign capital than it did in 1983. Projects with internal links shot up by 22-fold.

The zone has reformed mines, factories and other enterprises and fully mobilized the enthusiasm of cadres and workers, thereby injecting into the enterprises a dose of energy. The petroleum company, which was reformed earlier on, tripled its profits after the reform.

Trade was fairly sluggish in Zhuhai a few years ago. During last year's radical reform, monopoly was abolished; industry, agriculture, fishery and tourism were commercialized; and over 114 sales outlets were contracted out to collectives



or individuals. At the same time, in an attempt to clear the channels of commodity circulation, an additional 2,000 individual industrial and trading households were designated.

In capital construction, last year saw the application of the contracting system to such activities as planning, design and construction. International bidding was held for major projects. All this resulted in speedier construction, higher quality and savings.

The Zhuhai SEZ has taken off on the wings of reform, the open door policy and the elimination of "leftist" ideas and all kinds of impediments.

### The Secret of "The Speed of Nanshan"

If the characteristics of the economic takeoff of the zone in 1984 were speed, quality and economic results, then the Nanshan industrial district was an epitome of all these features.

Nanshan's fast pace of development matches that of Shekou in the Shenzhen SEZ. Planning began last March, land was acquired in April, design took place in May, land was cleared in June and ground construction started in late July. Today, after only 6 months and at an amazing speed, the first phase is basically completed and 140,000 sq. m. of floor space are ready for use.

How did Nanshan manage to finish in 6 months a project that normally takes a year and a half?

Every stage in the development process of Nanshan, from planning through design and construction to furnishing, was entrusted to an engineering and construction consulting group which assumed total responsibility for it. When a problem arose, the consulting group had the last say and was therefore able to solve it there and then.

The construction of the district was painstaking labor for the two general consultants of the group, both past 50. They operated out of a thatched shed, forwent all vacations and worked day and night, exercising effective supervision over the district development. In addition, they also undertook to build the Zhuhai commercial city project. They told the reporters emotionally, "We have been entrusted with two projects worth 300 to 400 million yuan. Only by giving our best can we repay the confidence of the party and the country."

The construction of a special economic zone depends on experts. The Nanshan industrial district respects knowledge and cherishes, trusts and assigns important assignments to experts. Herein lies the secret of its rapid growth.

### Gearing Up for New Upsurge in Construction

To hasten the day when Zhuhai can serve as the "four windows," the Zhuhai CPC committee and municipal government have decided to accelerate its development and urban construction. Its achievements last year promise to be only a prelude to the coming upsurge in construction. To illustrate:



A 10,000-ton deep water wharf is under construction and will be ready for use this spring.

The expansion of the helipad is nearing completion while a large international airport is on the drawing board.

Planning is almost completed for a 100,000-kw thermal power plant and a gasworks with an annual generating capacity of 500,000 cu.m. Construction will begin soon.

The Gongbei Waterworks is currently being expanded. Construction will begin soon on the Dongkeng Reservoir and Xijiang diversion works.

A new telecommunications center will be put into operation this year, making possible direct-dial calls between the zone and major cities in the nation. Direct-dial calls to major cities overseas will become a reality next year.

Construction is scheduled to begin this year on 25 multi-story buildings, 500,000 sq.m. of industrial floor space, 800,000 sq. m. of housing and a number of public installations.

Construction will proceed in stages on the four satellite towns of Wanzai, Qianshan, Tangjia and Nanping and four large parks including Haibin. The entire city will be planted with azalea of every color. We expect to see a modern and highly scientific city on the nation's southern coast in the near future.

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CSO: 4006/543

## SPECIAL ECONOMIC ZONES

### LIANG XIANG ON SHENZHEN ACCOMPLISHMENTS, STRATEGY

Guangzhou KAIKUOZHE [PIONEER] in Chinese No 2, 10 Feb 85 pp 2-4

[Report on interview with Liang Xiang, secretary of the Shenzhen municipal CPC committee, by reporter Lin Hua (2631 5478): "Open Door Policy, Reform, and Innovation Are Keys to the Success of Shenzhen"; date and place of interview not given]

[Text] The Shenzhen Special Economic Zone (SEZ) has never developed faster or achieved better results than in 1984, when it made new breakthroughs in its drive to attract foreign capital and introduce advanced technology. Statistically, 870 agreements were signed with foreign businessmen, representing a 93 percent increase in the value of investments over 1983. Both industrial and agricultural production grew rapidly. Industrial output value exceeded that of 1983 by 150 percent and surpassed the total for the previous 4 years. At the same time, agricultural output value climbed 28 percent and revenue rose 67 percent. The construction of socialist spiritual civilization has also had solid achievements and the people are now "relatively well-off."

"How did these spectacular achievements come about? What are some of its more important experiences?" Liang Xiang (2733 3276), secretary of the municipal CPC (Communist Party of China) committee, responded to the reporter's questions above in writing at the beginning of the year, analyzing it from six perspectives. If one wants to sum up the theme of his reply in a few words, they are: the open door policy, reform, and innovation.

#### The Ideological Basis for Shenzhen's Rapid Development

Comrade Liang Xiang said, "The establishment of a special economic zone is an innovation. It is a continuous problem-solving process. New problems crop up endlessly, which means that we must be clear-headed at all times. We must try hard to keep up with the times ideologically and be ready to do detailed investigations, analyze new circumstances, solve new problems and put forward correct policies. This is the ideological basis for fast growth in the SEZ."

Liang Xiang said, "In January 1984, Comrade Deng Xiaoping made a special inspection trip here. He pointed out that an SEZ is a window on technology, knowledge, management and foreign policy and said that as we go about developing the zone, we must clarify our guiding ideology, which is one of relaxation, not

of restraint. He also wrote a few words encouraging us: 'Shenzhen's development and experience prove the correctness of our SEZ policy.' Comrade Xiaoping's important ideas did much to enhance our understanding of the strategic significance of SEZ's and the open door policy. As we were certain that Comrade Xiaoping's instructions would have a major impact both at home and abroad and prove instrumental in mobilizing the entire nation to support and foster the development of SEZ's, we quickly urged the broad ranks of cadres and masses to develop a broad perspective, learn the policies, become legal-minded and time-conscious, adopt new attitudes and work hard."

He said, "After the party Central Committee decided last April to further open 14 coastal cities, a tide of reform engulfed the nation. We became acutely aware of the challenge posed by new competitors. To maintain our 'lead' as a reforming open city, the municipal CPC committee and government admonished the cadres to get rid of old ideas and deal with honor properly. They told everybody not to be complacent or satisfied with the status quo but to confront our weaknesses head on and be careful not to make mistakes. They also drew up a new development plan and, on the eve of the 3d Plenary Session of the 12th party Central Committee, revamped the city's reform program, replacing piecemeal reforms with comprehensive ones, sporadic steps with systematic measures and superficiality with depth. One year of practice shows that it is just this aggressive, enterprising spirit with its resultant mental vigor that made possible the splendid situation we have today."

#### What Must Be Done To Make an SEZ Attractive

Liang Xiang said: "Even after the investment climate has basically taken shape and many preferences have become policy, we must take extra care to make sure that within the framework of equality and mutual benefit, the returns of foreign investors on their investments here exceed the international average. We must implement the principle of equality and mutual benefit and protect the legitimate rights and interests of investors in a no-nonsense way. These two things must be done if we are to have further success in opening up the country and make the zone more attractive."

Liang Xiang said: "Foreign firms, in their pursuit of profits, are drawn to the zone mainly by China's market and our preferential policies. Therefore, we must actively help solve the problems they face in running their businesses. What is at stake here is more than the survival and development of those enterprises. Our helpfulness will also produce significant effects at home and abroad: it will demonstrate in a very practical way that our open door policy is creditable and that it is safe to invest in the zone. To do this, we must overcome our fear of investors making money and our narrow departmentalism which crowds out any consideration for the general interest. In our day-to-day work, we must cut out red tape and change our confiscatory attitude, which is wrong. In the past year, we have rendered assistance to wholly owned foreign enterprises and joint (and cooperative) ventures by clearing marketing channels, speeding up capital circulation, reducing land use fees, eliminating unreasonable charges, satisfactorily handling the liability transfer and property rights issues which arose when an investor, having gone bankrupt in Hong Kong, started a wholly owned enterprise in the zone, and protecting everybody's rights and interests."

in accordance with the law. Under these circumstances, wholly owned enterprises and joint (and cooperative) ventures have been able to make rapid progress and most enterprises financed by foreign capital do fairly well financially. They, in turn, become the magnet drawing in another batch of foreign investors."

#### The Dualism of an SEZ

It is reported that in its drive to forge economic links with the interior, Shenzhen last year succeeded in establishing 120 enterprises with domestic capital. Discussing this point, Liang Xiang said: "Attracting foreign capital and establishing economic linkages with the interior are comparable to the two wheels of a car or the wings of a bird. It will not do if one is missing. The development of the zone is inseparable from support by the interior. At the same time, the zone strives to attract foreign capital and introduce advanced technology for the sake of speeding up economic development in the interior. Last year, we made a special effort to match foreign capital and technology with raw materials from the interior and gradually built up a dualism. On the one hand, by virtue of our proximity to Hong Kong and Macao, our good communications and our access to information, we can acquire advanced technology, equipment and scientific management. We digest and assimilate them and send them to the interior. On the other hand, our processing industries make use of raw materials and products from the interior and refine them into 'flagship products' that can fight their way into the world market. In this way, we increase our attractiveness to foreign investors and improve industrial standards and promote economic development in the nation. Take, for example, the Luanei Electroplate Technical Co Ltd (a joint venture between the technical institute under the Ministry of Electronics Industry, the Ross Chemical Inc of the United States and the Shenzhen SEZ Development Corporation). It manufactures scores of products, using advanced electroplate additive production technology from the United States and raw materials from China. The production scale is small, but the products have managed to establish themselves in the world market. Another example is Nantang Die Factory (operated by the Shenzhen branch of the Beifang Industrial Co.). It combines industrial equipment and materials from China with advanced overseas technology to make a variety of dies for export to the world, thereby discovering a new way to earn foreign exchange. The number of such enterprises admittedly remains small, yet they do represent a direction for development and illustrate a basic way in which the zone can reach its 'four windows' potential."

#### The Key to Developing a Commodity Economy in the SEZ

Liang Xiang said: "The dual orientation of the SEZ, both internal and external, determines the commodity nature of its economy. A booming commodity economy is the hallmark of a prosperous SEZ. Our reforms last year prove that the conscious use of the law of value and the market regulating mechanism is the key to developing the commodity economy. We effectively reformed the planning and price systems, drastically reduced mandatory planning while strengthening guidance planning, consciously made use of the law of value and, through economic levers including prices, wages, taxation, profits, credits and interest rates, effected greater harmony between such links in the reproduction process as production, distribution, exchange and consumption. The achievements have been quite obvious."

Particularly worthy of mention is that last year Shenzhen also reformed the wage and price systems, abolished the state monopoly over the purchase and marketing of grain and oil, and put an end to the price dislocations resulting from the monopoly over marketing. Liang Xiang said, "The changes were made after full consideration and preparation. Price controls gradually began easing 2 years ago. As means of production entered the market, the quotas for list priced means of sustenance were slowly reduced. This prepared the residents psychologically for price increases so that when the prices of grain, oil and non-staple foodstuffs were adjusted, their impact on prices in general was limited. There has also been a tremendous increase in the supply of these items to Shenzhen; over 30 counties in Guangdong alone are sending their grains and oil to the zone. Food prices have not soared and the market has not dissolved into chaos, as some comrades initially feared. In fact, the market has become more lively, prices basically have stayed stable, and the people's standard of living has improved because of an increase in real earnings following wage reform. Our reform has been fairly successful. Price reform is the linchpin of the overall structural reform. By simultaneously reforming the wage and price systems, we have set in motion a chain of reactions which perpetuates itself to the benefit of the economy. It has been an enlightening experience for us."

#### Important Ways To Achieve the "Shenzhen Speed"

Liang Xiang said: "Develop a commodity economy, follow the law of value and encourage competition among enterprises--all are important ways to energize the economy and increase economic results. And economic contracting is an effective means of encouraging competition among enterprises. Essentially what it does is to integrate the rights and responsibilities of workers with those of the enterprise so that the interests of the state, the collective and the individual are unified. Economic contracting mobilizes workers' initiative, innovativeness and enthusiasm for building up the zone, improves management, reduces cost and cuts down on consumption, all of which will give the enterprise concerned an edge over its competitors. Last year, we used a variety of economic contracting systems extensively in our enterprise management. 'Contracting' stimulates 'competition,' which, in turn, promotes 'contracting,' and both have an instant buoyant effect on the economy. In the building industry, they select designs through competition and use the bidding system to pick contractors. In enterprises, responsibilities are assigned through a series of contracting systems. In industry, the manager (director) responsibility system has been adopted, and economic contracting in all its diverse forms has been widely practiced. In trade, stores are now doing their own accounting independently and assume responsibility for balancing their books. All this is an important reason for the 'Shenzhen speed,' the doubling of the industrial output value and the good results in trade."

#### New tasks for the Zone

As we further relax our open door policy, there will be more and more joint (and cooperative) ventures and enterprises wholly owned by foreign firms. A new task facing the zone now is to correctly deal with the relations between the state and the foreign businessman, and between him and his staff and workers.

Comrade Liang Xiang said, "Experience shows that only by strengthening the party within the enterprise and making sure that it plays the role of a guarantor and supervisor over the enterprise can we unite the broad ranks of staff and workers, establish good relations with the foreigner and put the enterprise on a sound footing. Over the past year, the party committee has paid a good deal of attention to this task: (1) educating party members intensively about the open door policy and guiding those who work in enterprises to understand that enterprises are the results of our party's open door policy and a necessary supplement to the socialist economy and that by working in them, they are also contributing to the four modernizations; (2) establishing and improving party organizations within the enterprises and urging party members to set an example for other workers by conscientiously obeying the laws and policies of the country and any contracts and agreements between the state and foreign businessmen; (3) bringing into play the function of trade unions, women's federations and the Communist Youth League as mediators in all kinds of disputes. On the one hand, we must respect foreign businessmen and let them make a reasonable return on their investments. On the other hand, we must monitor their compliance with our government's laws and regulations and all contract provisions. As we urge the staff and workers to participate actively in production and work hard to fulfill their production responsibilities, so must we reflect their reasonable demands and protect their legitimate rights and interests. Even while we educate our staff and workers to be diligent students of advanced foreign technology and scientific management, we must instill in them a vigilance against the corrosion of capitalist ideas.

Comrade Liang Xiang said: "Looking ahead to 1985, we must adopt new attitudes and new measures to achieve new breakthroughs. The overriding idea is this: come to grips with party rectification, make our open door policy more open and push ahead with reform so that our zone can do even better."

I have no doubt about that at all. It is a foregone conclusion that building on the solid foundation it laid with its hard work in the past few years, particularly in 1984, the Shenzhen SEZ will assume a brand-new look this year.

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CSO: 4006/543



SPECIAL ECONOMIC ZONES

ARTICLE VIEWS PRC STATE COUNCIL REGULATIONS ON FOREIGN BANKS

HK170510 Beijing CHINA DAILY in English 17 May 85 p 4

[Special to CHINA DAILY by Zhu Yixin, senior economist and chief of the law division of the State Administration of Exchange Control]

[Text] A series of regulations have recently been approved by the State Council to boost development in China's special economic zones.

The regulations governing foreign banks and joint-ownership banks in the special economic zones are intended to attract more overseas investment, to expand economic co-operation and to explore new methods to administer China's special economic zones with advanced technology. They also will allow the special economic zones to make wider use of capital assets

The new regulations also prove that China intends to continue with its open policy and to open wider to the world.

Foreign and Overseas Chinese banks have been encouraged by the regulations to set up branch offices in the economic zones, and each is allowed to open up to 12 services.

Their business may include dealing in foreign and local currencies, imports and exports and documentary bills.

One provision in the new regulations states that banking services no longer need be confined to the economic zones, but may extend to enterprises in inland provinces or cities--a convenience which four of Shanghai's foreign and Overseas Chinese banks are still unable to offer. The banks will also enjoy preferential tax treatment.

These new and more flexible policies will undoubtedly win approval in world financial circles.

Now that China's special economic zones have opened their doors to the outside, any foreign or Overseas Chinese bank with a solid capital base and with reliable credit and good relations with customers may apply to establish a branch office in one of the four special economic zones.

Of course, they must be willing to develop business ties with China and to observe Chinese laws, regulations and decrees, no matter whether or not they have previously set up representative offices in special economic zones or in other inland cities.

We believe that the People's Bank of China will use care in selecting appropriate foreign or joint Chinese-foreign banks to set up branch offices in the economic zones. They will consider the needs of those zones' economic development and the principles of equality and mutual benefit.

The interests of those banks will be protected by the relevant laws and regulations of the Chinese Government. As Article 14 of the regulations states, profits earned by a foreign bank, after paying the appropriate deductions, may be remitted to the home company.

Before sending home the profits, however, foreign banks and joint Chinese-foreign banks in a special economic zone must make deductions for taxes, the reserve fund, workers' bonuses, the welfare fund, and the enterprise development fund, according to the new regulations.

The foreign staff or the Hong Kong and Macao staff of a foreign or joint Chinese-foreign bank may remit abroad their wages, salaries and other legitimate earnings after paying the appropriate taxes.

All Overseas Chinese banks and foreign banks are welcome to open their offices in China and are expected to operate smoothly under these regulations, with guaranteed support from their Chinese counterparts in the People's Bank of China and the economic zones.

CSO: 4020/226

LABOR AND WAGES

'DOUBLE-TRACK SYSTEM' OF DETERMINING TOTAL WAGES DISCUSSED

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 14 Apr 85 p 3

[Article by Li Jianli [2621 1696 4539] of the Economic Research Institute of the State Planning Commission: "Probe on Determining the Total Amount of Wages According to the 'Double-track System'"]

[Text] Recently, the state enterprises have implemented an important reform of the wage system, that is, linking the total amount of enterprise wages with the amount of tax to be delivered to the state which may be allowed to fluctuate in line with the amount of tax delivered. After the "linking up" is implemented, the total amount of wages of enterprises is actually composed of two parts": 1) the portion decided with the 1984 total amount of wages as the base; 2) the portion increased based on a certain percentage taken out from the amount of tax delivered. This reform which links the wage increase of enterprise workers and staff members directly with increase of tax instead of profit delivered to the state by the enterprises is of great significance in smashing the situation of "eating from the big pot" of the state by enterprises, regardless whether or not they are run well or poorly, and in promoting the improvement of operations and management in enterprises, raising production efficiency and strengthening vitality.

I think that in addition to being linked up with the tax instead of profit delivered to the state, the total amount of wages of workers and staff members of enterprises should also be linked up with the tasks embodied in the state planning. Commodity pricing in our country still remains very unreasonable at present; it will be very hard to have it thoroughly changed within a short time. If the total amount of wages of enterprises is not linked up with the tax for profit delivered to the state, the enterprises will be unwilling to accept the production plans handed down by the state for important products that are low in price and profit, thereby affecting the healthy growth of the national economy in a planned and proportionate manner. Furthermore, the conditions under which each enterprise uses state funds and resources vary and the geographical location and supply-production-marketing conditions of enterprises are not identical. The benefits brought about by these factors though varied at different levels should logically and chiefly go to the state. However, the state has not adopted any special and independent method to take them in at present, they are generally included in the profits made by the enterprises. If the total amount of wages of enterprises is simply linked up with the tax for

profit, the wage gap among enterprises will be bound to contain irrational factors to a large extent.

It should also be pointed out after the "linking up" method is implemented, the wage increase of enterprises will use the total amount of wages in 1984 as the base. The numerous irrational factors in this total amount of wages are very difficult to get rid of in a practical manner. It is also not reasonable to increase wages in complete accordance with such a base.

In view of the above reasons, I am for the adoption of a "double-track system" in determining the total amount of wages for enterprises. In other words, divide the total amount of enterprise wages into two parts. The first part is to link the technical quota of enterprises with the tasks in the state plan to be decided according to the planned tasks accepted by the enterprises and with wages computed and paid according to the degrees of fulfillment of the planned tasks, it can be called "wage based on planned quota." The second part is to link up the tax for profit delivered to the state by enterprises with wages computed and paid according to the degrees of overfulfillment of tax delivery, and it can be called "wages based on above-quota profit."

Products additionally produced and further profits achieved by enterprises after fulfilling the tasks under the state plan are basically derived from the additional above-quota labor performed by workers and staff members of enterprises, and should be treated as remuneration of above-quota labor and go to the enterprises to be distributed by the enterprises to workers and staff members in line with the principle of to each according to his work. Generally speaking, so long as the planned tasks are reasonably set, the greater the overfulfillment achieved by enterprises, the bigger will be the wage increases. On the other hand, if the planned tasks are unreasonable, thereby bringing about the phenomenon of excess overfulfillment, conscientious efforts should be made to trace the cause and readjust the enterprises' planned tasks in a timely manner. In this respect, a "ceiling" is set for the above-quota portion. We, therefore, advocate that a "ceiling" should be set for "wages based on above-quota profits" of enterprises and no "ceiling" for "wages based on planned quota." In other words, the more planned tasks undertaken and fulfilled by enterprises, the more the "wages based on planned quota" will become.

After the "double-track system" for determining the total amount of enterprise wages is implemented, bonuses should no longer be used as a means and a channel of distribution of labor remuneration by enterprises. With the exception of special awards methods stipulated by the state (such as awards for raw materials conservation) and the awards fund from the managers' funds to be given out to a very few workers and staff members making special contributions, various types of bonuses should, in principle, no longer be issued. In future, the principle of to each according to his work should be achieved chiefly by dint of the relations of wage distribution.

LABOR AND WAGES

BRIEFS

LABOR MEDAL AWARDS--The Zhejiang Provincial Trade Union Council held a discussion meeting on the morning of 14 May to award winners of the All-China Federation of Trade Unions [ACFTU] 1 May Labor Medal. Entrusted by the ACFTU, Secretary Wang Fang and Deputy Secretary Chen Fawen of the provincial CPC Committee, Vice Governor Xu Qichao, and responsible comrades of the provincial Trade Union Council presented medals and certificates to 32 labor medal winners. Wang Fang, Chen Fawen, and Xu Qichao spoke at the meeting one after another. Comrade Wang Fang said: Advanced exemplary persons, as masters of the state, must lead the masses of workers and staff in promoting reforms. At the same time, the working class must toughen itself and become a contingent brimming with lofty ideals, moral integrity, knowledge, and a sense of discipline in building the four modernizations. It must cherish lofty communist ideals, adhere to socialist orientation, extensively unfold activities to offer responsible suggestions and make technical innovations, and contribute its wisdom and strength to the great cause of building the four modernizations. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 14 May 85 OW]

CSO: 4006/621

TRANSPORTATION

GUANGDONG MAKES HUGE INVESTMENT IN COMMUNICATIONS CONSTRUCTION

HK080829 Guangzhou NANFANG RIBAO in Chinese 7 May 85 p 1

[Article by He Shaoying (0149 1421 5391): "Guangdong Province Will Invest Over 500 Million Yuan in Communications Construction This Year"]

[Text] To meet the needs of economic development, the province will continue to carry out the construction of communications infrastructure on a large scale this year. At present the construction of a large number of expressways, highways, bridges, ports and navigation channels has been undertaken or are being undertaken. Moreover, the preparatory work for the construction of another batch of projects is being carried out. It is estimated that the amount of investment in communications construction this year will total as much as 500 million yuan.

Gratifying achievements were made in the province's communications construction last year. Guangdong built more than 180 bridges, totaling over 200 meters. The six ferries on the Guangzhou-Shenzhen and Guangzhou-Zhuhai highways have been completed and open to traffic. The length of the second-class highways newly built or rebuilt throughout the province amounted to 100 kilometers; that of third-class highways, 85 kilometers; that of fourth-class highways, 347 kilometers and that of country roads newly built in the old base areas and mountainous areas, 430 kilometers. As for port construction, the terminals for Hong Kong and Macao passengers in Zhongshan, Kaiping, Jiangmen, Daping, Shaoqing and the Gangyuan Port in Guangzhou were completed last year.

However, with the rapid expansion of the province's industrial and agricultural production, communications construction is far from meeting the needs of the situation. Therefore, the provincial government has decided to continue to build more highways, bridges, stations and ports and to regulate rivers and watercourses by adopting the methods of seeking more avenues for human and material resources and of pooling funds through various channels. The province plans to invest up to 500 million yuan in land and water communications construction this year.

At present the projects under construction include the Shenzhen section of the Guangzhou-Shenzhen-Zhuhai expressway, the second-phase transformation project of the Guangzhou-Zhuhai highway, the Guangdong section of the Hunan-Shenzhen highway and the Jiangxi-Zhuhai highway, the transformation project of the



Heyuan section of the Guangzhou-Meixian highway, the transformation project of Guangzhou's out-bound highways, the Nandu Bridge in Haikang, the Beijing Bridge in Qingyuan, the Xiqiao Bridge in Foshan, the Dongshan Bridge in Meixian, the Chahe Bridge in Hainan, the Gongyi Bridge in Taishan, the Luoxi Bridge in Guangzhou, the Nantou Bridge in Zhongshan, the Wanjiang, Xincun and Hengli Bridges in Dongguan, and so on.

In addition, the projects under construction also include the operational areas of the two ports of Hainan and Jieyang and the realignment projects of watercourses in Chencun and Qianshan.

The projects to be undertaken this year according to the plan are the Guangzhou-Foshan expressway, the Shenzhen-Danhu section of the Shenzhen-Shantou expressway, the Taiping-Shenzhen section of the Guangzhou-Shenzhen-Zhuhai expressway, the transformation project of the Guangzhou-Shaoguan highway, the transformation project of the Pingshi-Ruyuan highway, the Jiujiang Bridge in Nanhai, the Waihai Bridge in Jiangmen, the Datong and Hukeng Bridges in Xinhui, the Jingan Bridge in Doumen, the Xiapu Bridge in Chaoyang, the Zenglong Bridge in Zengcheng, the Mohe Bridge in Kaiping, the Machong and Chajiao Bridges in Dongguan, the Nanhe and Beihai Bridges in Jieyang, the Nanbing Bridge in Zhuhai, and the Xianting and Xinyong Bridges in Shunde.

CSO: 4006/625

TRANSPORTATION

BRIEFS

KUWAIT, SINGAPORE AIR SERVICE--Beijing, 14 May (XINHUA)--China's national flag carrier, CAAC, will launch flights to Kuwait beginning 3 July this year. A spokesman for the Civil Aviation Administration of China (CAAC) said here today that CAAC Boeing 707s will fly every Wednesday from Beijing to Kuwait City with a stopover at Karachi, Pakistan. This will be the 25th international air route operated by the airline, he added. The new air service, he said, will strengthen cooperation between China and Kuwait and promote economic growth, trade and tourism between China and the countries in the Middle East. The airline will also open direct air service to Singapore beginning from 15 June for the convenience of large numbers of overseas Chinese who visit China. [Text] [Beijing XINHUA in English 0711 GMT 14 May 85 OW]

WEST YUNNAN RAILWAY--Kunming, 17 May (XINHUA)--A new railway line will be built in the western part of Yunnan Province, mainly inhabited by ethnic minorities, according to the provincial Railway Department. The 214-kilometer line between Guangtong in the Chuxiong Yi Nationality Autonomous Prefecture and Xiaguan, capital of the Daili Bai Nationality Autonomous Prefecture, will link up with the two main lines in Kunming. The new line is expected to be completed in 1990. The railway will be built jointly by Yunnan Province and the ministry of railways with a total investment of 600 million yuan. It is listed as one of the main projects in the state's Seventh 5-Year Plan (1986-1990). At present Yunnan Province has two major trans-provincial railways, one from the provincial capital of Kunming to Guiyang, capital of Guizhou Province, and the other from Kunming to Chengdu, capital of Sichuan Province. [Text] [Beijing XINHUA in English 1201 GMT 17 May 85 OW]

CSO: 4020/224

PUBLICATIONS

BRIEFS

NEWLY PUBLISHED PAPER TITLED--The ZHONGGUO YOUSE JINSHU BAO [CHINA NONFERROUS METALS NEWS] was trial published in Beijing. The paper will be formally published on 1 July. Comrade Chen Yun wrote the title for the paper. [Text]  
[Shanghai City Service in Mandarin 1100 GMT 7 May 85 OW]

CSO: 4006/621

TAIWAN

# OFFICIAL OUTLINES PLAN TO STRENGTHEN SHIPPING

OW150251 Taipei CNA in English 0237 GMT 15 May 85

[Text] Taipei, 14 May (CNA)--The Ministry of Communications [MOC] will focus its efforts on making the nation's merchant fleet more competitive, by promoting joint operations among the nation's shipping lines and expanding the nation's role as a marine transshipment center.

A senior MOC official disclosed that Minister Lien Chan has outlined the scope of work for the maritime industry saying that he has attached great importance to the rationalization of shipping operations, which, the official said, may only be materialized by getting all ROC-flag shipping lines to pool their ships in joint operations.

Over the past 20 years, most of the world's maritime countries have devoted much effort to pooling operations of their shipping fleets and to merging of their small shipping companies in a step to boost their economies of scale and reduce their operational costs, the official said.

However, he lamented that this country has many single-ship lines that, rather than joining together with other lines for mutual benefit, still manage to keep their fleet afloat and ply against the harsh winds of very stiff competition on the sea lanes.

Of the 97 shipping companies in the country, 64 are single vessel lines, the official explained.

In the absence of available laws and regulations, the government has no authority to compel these small lines to enter a merger program, the official said, adding that the only step the government can take is to set up a joint operation scheme, requiring all the shipping companies to participate and broaden the operation of the transshipment center in promoting international cooperation.

CSO: 4020/223

TAIWAN

GOVERNMENT TO REVISE OUTDATED ECONOMIC LAWS

OW132104 Taipei International Service in English 0200 GMT 12 May 85

[Text] Chao Yo-tung, chairman of the Council for Economic Planning and Development, said yesterday: The ROC [Republic of China] Government is determined to revise all economic laws and regulations which are not up-to-date.

Speaking at a press conference at the Government Information Office yesterday, Chao said: The establishment of the Economic Renovation Committee is a step in that direction. He said that he shared the expectation of the people here that the mission of the Economic Renovation Committee will succeed.

Regarding the functions of the ad hoc committee, Chao said: The prior objective is to revive the public faith in the nation's economic development through the participation by all quarters. He said the establishment of the consultation committee also shows the government's determination to take over the present economic problems. Chao added: It is a temporary setup and will not interfere or overlap the normal functions for government agencies. On the operation of the committee, Chao said: Any decision will be adopted by majority consent by committee members. Regardless of outcome, he said, opinions of the minority will still be respected and presented to the Executive Yuan for reference.

Turning to the subject of the recent sharp increase in export to Hong Kong, Chao said the government will not put any restriction on the transshipment of goods to a third country. But he warned local manufacturers and traders to beware of sales expansion of their production facilities to meet the steady increase of business volume from Hong Kong. He said Communist China does not separate politics with trade.

CSO: 4020/223

TAIWAN

EXECUTIVE YUAN DENIES U.S. PRESSURE ON TAIPOWER

OW140415 Taipei CNA in English 0334 GMT 14 May 85

[Text] Taipei, 13 May (CNA)--The Import-Export Bank in the United States has never pressured the Taiwan Power Company to start repaying its loans, which are about one-third of Taipower's total foreign debts, the Executive Yuan said Monday.

In a written reply to Legislator Chang Chun-hsiung's interpellation, the Executive Yuan said that according to the contract signed with the U.S. Im-Ex Bank, Taipower is obliged to return a portion of the loans granted by the bank only if Taipower intends to repay other debtors earlier.

The Executive Yuan said Taipower so far has no plan to clear its foreign debts earlier than scheduled, and therefore, the U.S. Im-Ex Bank has no reason to pressure Taipower to return its loans.

Answering another interpellation by Legislator Yu Chen Yueh-ying, the Executive Yuan said that the government's decision to build the fourth nuclear power plant was not solely based on a report made by the U.S. Electricity Research Institute.

All favorable and unfavorable factors had been taken into consideration before making the decision, and this is why the government decided to postpone the construction of the plant until the people here fully understand the necessity to build such a plant, the Executive Yuan said.

The Executive Yuan has called on the people not to doubt the safety of the nuclear power plant because many advanced nations in the world, including Japan, France, Belgium, and West Germany, are building nuclear power plants to solve the problem of shortage of energy resources.

Even the United States, Canada, and South Africa, which have abundant alternative energy resources, have also agreed that nuclear power plants are safer than traditional power plants, it added.

CSO: 4020/223



TAIWAN

**OFFICIAL PROMISES HIGHER NATIONAL TRADE STANDARDS**

OW140409 Taipei CNA in English 0324 GMT 14 May 85

[Text] Taipei, 13 May (CNA)--Chow Chi-hsiang, director general of the National Bureau of Standards, said Monday that among its future major tasks, his bureau will strengthen the national standards system, improve patent rights and trademark systems.

Chow testified before the Economic Affairs Committee of the Legislative Yuan, the nation's top lawmaking organization, on the major tasks of the National Bureau of Standards for the current year.

He said the National Bureau of Standards will map out or revise the national standards, promote industrial modernization, and explore export needs to coordinate with the nation's economic and reconstruction policies.

Among strategic items, the standards will cover machinery, car spare parts and components, electrical equipment, computer products, consumer electronics products, electronic components, telecommunications goods, industrial electronic products, and data information software.

In terms of export products, the standards will include electrical machinery, textile products, machinery, and metalware, agricultural and processed products.

The National Bureau of Standards will also work out regulations for food products, air pollution, water pollution, and mining safety and precaution.

The bureau is going to outline standards for patent rights and trademarks and to establish a trademark judicial committee to handle disputes and controversial problems pertaining to trademarks.

CSO: 4020/223

TAIWAN

TAIWAN CONCERNED OVER U.S. GSP REVIEW IN 1987

OWO40343 Taipei CNA in English 0312 GMT 4 May 85

[Text] Taipei, 3 May (CNA)--The recently released 1984 review of the U.S. Generalized System of Preferences (GSP) will not have a significant impact on the Republic of China's [ROC's] trade with the United States, according to an ROC trade official. What will affect Taiwan's exporters even more, he warns, will be the overall review of the GSP system which is scheduled to be made public by the U.S. Government in 1987.

The U.S. trade representative's office disclosed recently that it will complete before January 1987 a complete review of all items which receive duty free status under the GSP, and that it will decide upon the items to which more stringent standards need to be applied. These standards are in reference to the U.S. dollar 25 million maximum amount allowed for the import of a single produce into the United States, or to the 25 percent maximum market share any one item may control.

Findings of the 1984 GSP review reveal that 59 products imported into the United States from Taiwan lost their duty free treatment last year, and that the total value of those imports was U.S. dollar 4.39 billion.

According to the review, the ROC was the number one beneficiary among the 140 nations and districts which received duty free treatment under the GSP last year, while of the U.S. dollar 13 billion value of such products sold in the United States last year, products from Taiwan were worth more than U.S. dollar 3.2 billion, or 26 percent of the total value of such products.

CSO: 4020/223

TAIWAN

# TAIWAN DEFENDS ASIAN BANK MEMBERSHIP NAME

OW061251 Taipei CHINA POST in English 2 May 85 p 12

[Text] The Republic of China yesterday defended its membership name in the Asian Development Bank (ADB) against pressure from mainland China, by declaring that any country applying to join the organization should not impose conditions.

Hsieh Sen-chung, spokesman for ROC delegation to the annual meeting of the ADB's Board of Governors being held in Bangkok, said yesterday none of the ADB's 15 new members had imposed conditions when they applied to join.

Mainland China had said earlier it wanted to join the ADB on condition the ROC be ousted. ADB sources said Tuesday mainland China has agreed to the ROC remaining in the 45-nation bank if it changes its name.

"We do not oppose the entry of mainland China into the ADB. But we insist that any application to join the ADB be submitted in accordance with the ADB charter, and should not affect the rights and interests of any existing members, Hsieh declared.

He said the ROC, a founding member of the ADB which was established in 1966, has been a major contributor to the bank. It has always been a lender, not a borrower, he added.

Pressure on the ROC to change its membership name increased following ADB President Masao Fujioka's formal expression of hopes for a quick solution to the mainland China membership issue in his opening speech to the meeting Tuesday.

Since mainland China's membership is not on the agenda, negotiations over the issue, or more precisely, on the ROC's membership name, will reportedly start indirectly between the ROC and mainland China after the meeting ends today.

Rumors in Bangkok said the ROC may be forced to change its membership name to China, Taiwan; Taiwan, China; China (Taiwan); or Taiwan-China. The ROC delegation has refused to comment on the rumors.

The local UNITED DAILY NEWS reported yesterday that the ROC which has diplomatic relations with only 3 of the bank's 45 member nations, may fail to win support of the other members if it refuses to change its membership name.

The mainland China membership issue could be solved before the ADB's next annual meeting of its Board of Governors since the bank's charter allows entry of new members without discussions at the annual meeting.

TAIWAN

TAIWAN TO FURTHER REDUCE PROTECTION OF INDUSTRY

OWO90423 Taipei CNA in English 0344 GMT 9 May 85

[Text] Taipei, 8 May (CNA)--The government will further trim down protection over industrial products in general to curb hindrance of industrial development in the Republic of China on Taiwan, a government official in charge of industry said Wednesday.

Testifying before the economics committee of the legislative Yuan, the nation's highest lawmaking organization, on his bureau's operations, Hsu Kuo-an, director of the Economics Ministry's Industrial Development Bureau, said that the nation's future industrial policy will stress changes of market demands and supplies and maintenance of reasonable competitiveness for this nation's industrial products.

For industries particularly designated by strategic policy, the government will grant only limited assistance and protection in the initial period for these industries, he said.

Most private enterprises, he said, have limited financial power, and they are willing to pour their investments only into businesses that bring capital returns quickly, Hsu told the lawmakers.

Private entrepreneurs did not intend to spend a lump sum of money on high tech business which needs high capital costs but produces poor quality products that gradually are losing competitiveness in the world market, he noted.

Hsu pointed out that the government will encourage industrial investments in businesses with good prospects and bright outlooks, such as the data information industry, electronic components and material industry, automobile spare parts industry, and the automation equipment and facilities industry.

CSO: 4020/223

TAIWAN

LIBERALIZATION TO RESOLVE TRADE GAP WITH U.S.

OW110419 Taipei CNA in English 0320 GMT 11 May 85

[Text] Taipei, 10 May (CNA)--If the Republic of China [ROC] succeeds in liberalizing and internationalizing its economy, the problem of the large trade gap between this nation and the United States will be resolved in no time, Chao Yao-tung, chairman of the Council for Economic Planning and Development [CEPD], said Friday.

This nation has a trade surplus totaling U.S. dollar 9.8 billion with the United States in 1984, and although the nation's exports to the United States in the first quarter of this year declined a little, the ROC still enjoyed a surplus of U.S. dollars 2 billion, Chao said.

As the large trade imbalance between the two nations has attracted wide attention, the Executive Yuan has set up an ad hoc committee to study ways to solve this problem, Chao noted.

In a press conference sponsored by the Government Information Office, Chao pointed out that the reason the United States has no complaints against Singapore, Canada and Hong Kong, which also have large surpluses with the United States, is that they are following the principles of free economy and do not impose tariff barriers on American products.

"We will be able to convince the United States that the problem of trade deficits is a result of the different economic structures of the two nations, if there is still an imbalance after the nation's economy is liberalized and internationalized," Chao said.

To promote economic liberalization, the CEPD has set up four panels and assigned 15 consultants to study problems related to monetary, investment, trade and foreign exchange affairs, Chao said. Their research reports will be brought up in early June, he added.

CSO: 4020/223

TAIWAN

BRIEFS

STEEL SURPLUS--Taipei, 7 May (CNA)--The state-run China Steel Corporation [CSC] enjoyed a booming business in the period from January 1984 to March this year by registering a surplus of NT [New Taiwan] dollar 3.9 billion (about U.S. dollar 100 million). The figure far exceeds the projected level of NT dollar 1.9 billion (U.S. dollar 48 million) for the current fiscal year, which will end 30 June, according to CSC statistics released Tuesday. CSC said that reduced production costs was the main cause for the surplus. The steel mill has pursued a campaign since the end of last year to reduce its production costs by NT dollar 100 million monthly, and has been successful so far. "The campaign will continue," CSC noted. As to demands from domestic mid- and downstream steel manufacturers on CSC for reduced prices to help them survive during the period of recession, CSC said it will make a final decision after careful study on the issue. However, CSC stressed that it will continue to make efforts to improve the quality of its products and cut prices in order to make the mid- and down-stream steel industries more competitive in the international market. [Text] [Taipei CNA in English 0238 GMT 8 May 85 OW]

TRADE GAP--Taipei, 8 May (CNA)--The Ministry of Economic Affairs (MOEA) is now studying the possibility of signing a bilateral free trade area agreement with the United States, as part of the efforts by the Republic of China [ROC] to close the widening trade gap between the two nations, according to Economics Minister T.H. Lee. Other measures drawn up by the MOEA to narrow the trade gap include using U.S. firms to help with major construction projects in Taiwan, increasing purchases of high tech products, arms, and petroleum from American suppliers, and encouraging local entrepreneurs to invest in the United States. Meanwhile, Pan China-sheng, deputy director general of the Board of Foreign Trade, said that in the long term the ROC must liberalize its trade policy, reduce tariffs and remove non-tariff barriers to trade, and loosen restrictions on foreign investment in Taiwan. Pan noted that two "Buy American" missions are being sent to the United States this year, and that an exhibition of American products is scheduled to be held in Taipei this coming December. [Text] [Taipei CNA in English 0948 GMT 8 May 85 OW]

IMPORTED MACHINERY TARIFFS CUT--Taipei, 8 May (CNA)--The Ministry of Economic Affairs [MOEA] and the Ministry of Finance [MOF] have finally come to a consensus that tariffs on 43 categories of imported machinery should be cut by half in order to stimulate imports to this nation. An MOF official pointed out Wednesday that the proposal will soon be sent to the Council for Economic Planning and Development for further discussion and then to the Executive Yuan for



approval. According to customs statistics, imports of machinery in the first quarter of this year declined from the same period last year, and this indicated that the investment willingness here is still very low, the official said. Early this year, the MOEA suggested that the MOF cut tariffs on imported machinery by half so as to increase imports, but the MOF had not given a definite reply until now. This official said that if reduction of tariffs on imported machinery will help increase imports to this nation, the MOF is willing to cooperate with the MOEA to attain this goal. However, he added, all factors must be taken into consideration before implementing the plan, to reduce possible damage to the domestic machinery manufacturing industries to the minimum. [Text] [Taipei CNA in English 0300 GMT 9 May 85 OW]

SCIENCE COOPERATION WITH BELGIUM--Taipei, 8 May (CNA)--The National Science Council of the Executive Yuan signed a cooperative agreement Wednesday with Belgium's National Fund for Scientific Research. Chen Li-an, chairman of the council, and Pierre De Somer, vice president of the Belgian foundation, signed the accord on behalf of the two parties. Under the agreement, the two organizations will exchange scholars and technicians, jointly sponsor academic meetings and initiate cooperative research programs in such fields as biotechnology, material science and chemical engineering. In an effort to promote scientific and technological cooperation with European countries, the council has signed similar agreements with France, West Germany, the Netherlands, Sweden and Norway. [Text] [Taipei CNA in English 0334 GMT 9 May 85 OW]

CITRUS EXPORTS DROP--Kaohsiung, 8 May (CNA)--Taiwan's citrus exports in the recent crop season from last November through the end of April dropped by 37 percent from the previous season to 1.06 million 10-kilogram cartons, a spokesman for the Taiwan provincial fruit marketing cooperative said Wednesday. Due to scant production, the spokesman said, prices of citrus were higher than last year. The export value thus increased by 7.7 percent to U.S. dollar 9.8 million. Citrus has been Taiwan's second largest exported fruit, after bananas. Singapore was the largest market this year, buying 39.5 percent of total citrus exports; followed by Hong Kong, 39 percent; and Malaysia, 17.8 percent. In past years, Hong Kong has topped the list. The spokesman also said that the export of seedless watermelon is expected to start in mid-May with a projected volume of 570,000 36-kilogram cartons. [Text] [Taipei CNA in English 0328 GMT 9 May 85 OW]

JANUARY-APRIL FOREIGN TRADE--Taipei, 9 May (CNA)--The Nation's foreign trade in the first 4 months this year reached U.S. dollar 16.61 billion, increasing by U.S. dollar 422 million or 2.6 percent from the corresponding months in 1984, initial statistics showed. According to the figures compiled by the Directorate General of Budget, Accounting, and Statistics, the two-way trade in the January-April period resulted in a surplus of U.S. dollar 2.91 billion, compared with U.S. dollar 2.45 billion registered in the same period last year. Exports in the first 4 months were U.S. dollar 9.76 billion and imports U.S. dollar 6.85 billion. In April alone, exports stood at U.S. dollar 2.68 billion, up 3.4 percent from the like month in 1984, indicating a recovery from the negative growth in March. Imports in April were valued at U.S. dollar 1.97 billion, up 4.1 percent from the same month a year ago. The nation had a trade surplus of U.S. dollar 796.2 million last month according to the statistics. The ROC-U.S.

trade hit U.S. dollar 6.23 billion in the first 4 months, with ROC's exports worth U.S. dollar 4.53 billion, and imports worth U.S. dollar 1.70 billion, resulting in a surplus of U.S. dollar 2.83 billion in favor of the Republic of China. [Text] [Taipei CNA in English 1012 GMT 9 May 85 OW]

OVERSEAS INVESTMENTS--Taipei, 9 May (CNA)--The Executive Yuan, in a cabinet meeting Friday [as received], passed the revision on the measures governing overseas investments and technical cooperations with other countries. The revision allows a company in this nation to invest in foreign venture companies if it can prove that such investment will help readjust the nation's industrial structure or introduce into this nation more advanced technologies. The new measures reduce the paid-in capital of a company that is allowed to invest abroad from over NT dlr 50 million to NT dlr 20 million. The company's debts/assets ratio, however, has been increased from 200 percent to 300 percent. Stipulations concerning profitability ratios and liquidity ratios proposed by the Ministry of Economic Affairs were all deleted by the Executive Yuan after careful consideration. In the same meeting, the Executive Yuan also approved the plan proposed by the Taiwan provincial government to improve the highway between Panchiao City and Pingtung City. The first phase of the project is estimated to cost NT dlr 7.1 billion, which will be shared evenly by the central government and the provincial government, starting in fiscal 1986. [Text] [Taipei CNA in English 1357 GMT 9 May 85 OW]

NATIONAL ECONOMY--Taipei, 10 May (CNA)--Despite a slowdown in domestic investment, the Republic of China's Economy is still in good shape, Chao Yao-tung, chairman of the Council for Economic Planning and Development, said Friday. If domestic investment can be improved in the next few months, Chao said, the nation's economy will manage to grow by 7.5 to 8 percent this year. In reply to a press inquiry, Chao said, the newly-established economic renovation committee will work out ways to stimulate investment willingness and break out of the stagnation that is currently restraining economic development. Chao, who is one of the three convenors of the Economic Renovation Committee, also said that trade liberalization and internationalization remain the nation's top policy goals. [Text] [Taipei CNA in English 1342 GMT 10 May 85 OW]

HIGH ENERGY IMPORTS--Taipei, 10 May (CNA)-- Domestic industries should enhance energy utilization efficiency by stepping up research on energy conservation technology, developing high added-value products and seeking economies of scale, Economics Minister Lee Ta-hai said Friday. Minister Lee made the remarks at the opening of a symposium on energy conservation at the National Taiwan University. The Republic of China relies heavily on imports of energy, the minister said. Imported energy accounted for 65 percent of its total energy consumption in the early 1960s. The ratio zoomed to 89.2 percent last year, Lee said. As energy plays an important role in the nation's economic development, Lee urged local businesses to take the following steps to save energy: introduce new energy-conserving techniques and develop high added-value products; improve economies of scale in the energy-consuming sections of the nation's business and industrial concerns; phase out obsolete energy equipment and tighten up management; and initiate long-range programs to develop new energy substitutes. [Text] [Taipei CNA in English 1345 GMT 10 May 85 OW]

LOWER IMPORT TARIFFS PLAN--The Ministry of Finance [MOF] will lower import tariffs further in the 5 years before 1990 in line with the government efforts to liberalize the nation's trade, an official said yesterday. Real tariffs would be cut from the present 7.6 percent to 5 percent within 5 years, Lai In-jaw, director of Customs Administration Department of the MOF, said. Nominal import tariffs on some items from the United States and major European trading partners such as West Germany, England, the Netherlands and France, will be cut from the present 26 percent to 20 percent, Lai added. The reductions are expected to reduce Taiwan's huge trade surplus with the United States which exceeded U.S. \$10 billion last year. In its efforts to balance trade with the United States, Taiwan has revised its import tariffs last year, including lowering customs duties on 1,085 goods items. The 100 percent maximum import tariff was lowered to 75 percent, and the 10 percent surtax on CIF (cost, insurance and freight) was cut by half to 5 percent. The surcharge is expected to be eliminated totally this year, officials said. [Text] [Taipei CHINA POST in English 12 May 85 p 8 OW]

CSO: 4020/223

11 June 1985

## HONG KONG MEDIA ON CHINA

## PRC MINISTER GAO'S SHENZHEN'S ROLE IN DEVELOPING SOUTHWEST

HK090409 Hong Kong TA KUNG PAO in Chinese 9 May 85 p 4

["Special dispatch from Shenzhen": "Gao Yangwen Speaks on Great Scheme for Developing Southwest"]

[Text] Gao Yangwen, minister of coal industry and chairman of the board of directors of the Southwest Energy Joint Development Company, revealed in Shenzhen yesterday that the southwest would make use of Shenzhen as a base to strengthen its contacts with Hong Kong, Macao, and overseas and to import advanced technology and equipment in its efforts to exploit rich local energy resources.

In an address to the foundation stone laying ceremony for the Shenzhen International Hotel, Gao Yangwen said: The southwest is rich in manpower, hydropower, and mineral resources--the province of Guizhou alone has coal reserves amounting to more than 60 billion tons and serves as one of the country's important energy bases. However, due to a shortage of funds, underdeveloped transport facilities, and other factors, the southwest has so far failed to fully tap its energy resources.

Gao Yangwen said: The Southwest Energy Joint Development Company has recently acquired a \$500-million export loan from the Italian Government which will be used to develop coal mines and to build piers and railroads in the southwest. At the moment a delegation from the company is on a fact-finding and purchasing tour in Italy.

Gao Yangwen said: In order to strengthen the contacts between the southwest and the Hong Kong and Macao area, the southwest company and the Haitung Company affiliated to the China Merchants' Steam Navigation Company jointly established the Guihai Company in Hong Kong in early February this year. So far this newly established company has imported a car maintenance center to Guiyang city. At the moment the Guihai Company is negotiating with foreign business firms on the establishment of a shipbreaking company.

Gao Yangwen said: In order to encourage more business firms to invest in the southwest, the Southwest Energy Joint Development Company plans to hold a large-scale investment forum in Hong Kong.

The Southwest Energy Joint Development Company was founded in January 1982. Its shareholders include the Ministry of Coal Industry, the Ministry of Communications, the Ministry of Railways, Guangdong Province, Guangxi Autonomous Region, Guizhou Province, Yunnan Province, the Bank of China, the Construction Bank of China, and the Hong Kong branch of the Bank of China.

CSO: 4006/627

HONG KONG MEDIA ON CHINA

SALES OF COLOR TELEVISIONS INCREASE 280 PERCENT IN PRC

HK040444 Hong Kong SOUTH CHINA MORNING POST in English 4 May 85 Business News Supplement p 6

[Text] Colour television sales in China rocketed 280 percent to 2.8 million units last year, with Japanese companies capturing 90 percent of the export market, according to a report by Japan's Daiwa Securities.

Its report on the Japanese consumer electronics industry has a special section on the market for colour televisions in China.

It points out that the purchasing power of the Chinese people, especially farmers, has triggered the first boom for consumer electronic products.

Although South Korea and Taiwan have been strong competitors with Japan in the global television market, the report says they have only been able to export a small number of sets to China, through Hong Kong, due to political problems.

Contrary to the position in more developed markets, colour television prices in the China market have been maintained at a high level.

Local production costs of colour televisions in China are still high so the prices of Japanese exports are unlikely to decline significantly.

The report says: "As a result, Japanese companies will be able to nearly monopolise exports as long as the Beijing Government continues its current economic policy."

Nearly 40 local plants in China have concluded technology transfer agreements with Japanese colour television manufacturers.

Many of them are expected to come on stream by the end of this year when China's colour TV production capacity is expected to exceed five million units.

Japan's exports of knock-down sets to China are expected to increase significantly.

Hitachi has the largest share of the China market with a staggering 50 to 60 percent of the market (including local production at its joint venture in Fujian).



HONG KONG MEDIA ON CHINA

CREDIT CARD COMPANIES ACT TO STOP FRAUD IN PRC

HK070533 Hong Kong HONG KONG STANDARD in English 7 May 85 p 3

[Excerpt] Major credit card companies have introduced a series of measures to combat fraud in China.

This was disclosed by the vice-president and general manager for East Asia and North Pacific of American Express International Incorporated, Mr Richard Weden, yesterday.

The measures include restricting the number of outlets providing cash advances to only one in a city.

And the amount of money that could be withdrawn at any one time has also been reduced, Weden told a luncheon meeting.

"What has been particularly worrying in China has been the amount of fraud committed in respect of trading of the foreign currency unit in the black market--a situation fuelled by the extensive use of the cash advance system," he said.

The vice-president, however, said travellers to the country would not be affected by these measures because there had been an increasing number of sales establishments accepting credit cards.

There were only 13 establishments in three cities accepting credit cards for direct purchase when it was first introduced in the country at the end of 1983.

The number has now risen to more than 190 in 21 cities and the company expects to have 900 establishments in 30 cities by the end of the year.

Weden said the introduction was timely because the increasing direct acceptance of credit cards, which carried far less fraud risks, risk of fraud, meant that extensive cash withdrawal privileges were no longer necessary.

He admitted card fraud in China was "undeniably a problem which causes concern" but stressed it was not a major problem and had been blown somewhat out of proportion.

On credit card business in China, he said there should be an expansion in providing financial services when foreign investment in the country moved out from the special economic zones into the much broader coastal areas and also the interior regions.

He added the company was planning to open more offices in major cities to provide a complete range of travel related services.

CSO: 4020/225

HONG KONG MEDIA ON CHINA

TEXT OF NEW PRC TAX RULES FOR FOREIGN FIRMS

HK160441 Hong Kong TA KUNG PAO in English 16 May 85 p 5

[Text] China's Ministry of Finance issued on 14 May Interim Provisions for Collection of Industrial and Commercial Consolidated Tax and Enterprise Income Tax From Permanent Representative Offices of Foreign Enterprises in China. The full text follows:

In accordance with the provisions of Articles 2 and 8 of the Industrial and Commercial Consolidated Tax Act, Article 1 of the Income Tax Law Concerning Foreign Enterprises and Articles 2 and 4 of the detailed rules and regulations for implementation thereof, and Article 9 of the Interim Provisions of the State Council Concerning the Administration of Permanent Representative Offices of Foreign Enterprises, and the relevant provisions of the tax treaties that the Chinese Government has concluded with foreign governments, the following provisions shall be made regarding the collection of taxes from permanent representative offices:

I. Permanent representative offices, engaged in such activities as conducting market surveys, providing business information and business liaison, consultation and other services on behalf of their home offices, shall be exempted from the industrial and commercial consolidated tax and enterprise income tax, provided they do not receive proceeds for their operations or services as such.

Permanent representative offices, appointed by enterprises within Chinese territory to act as agents mainly outside the territory of China, shall be exempted from taxes on the income derived thereof.

II. The following proceeds and income of permanent representative offices are taxable:

- a. Commissions, rebates and fees received by permanent representative offices on behalf of their home offices for engaging in business as agents outside the territory of China for other enterprises, or for liaison, negotiation and middleman services within Chinese territory;
- b. Payments by scheduled instalments or in accordance with the volume of commissioned services, made to permanent representative offices by their

clients, including their home offices, for conducting market surveys, business liaison, information or consultation services within Chinese territory;

c. Commissions, rebates and fees received by permanent representative offices for engaging in business within Chinese territory, as the agents of other enterprises or for liaison, negotiation or middleman services for economic and trade transactions between other enterprises.

III. Where the amount of commission received by permanent representative offices for general liaison or middleman services is specified in the contracts, the taxes shall be assessed on the amount specified therein. Where the amount is not specified in the contracts and no accurate documentation is available so that the amount of commission cannot be exactly fixed, local tax authorities may, by referring to the general commission rate, determine an appropriate amount of commission on the basis of the business volume realized and assess the taxes accordingly. In cases as mentioned in (A) of Article 11 of the provisions, where one part of the agency services is performed by their home offices outside the territory of China, permanent representative offices shall declare and present relevant certificates and documents to the local tax authorities for the purpose of assessing the amount of commission taxable in China.

IV. Where the commissions, rebates and fees received by permanent representative offices for agency or middleman services fall into the categories of taxable items listed in the table of taxable items and tax rates of the industrial and commercial consolidated tax act, the industrial and commercial consolidated tax shall be levied at a reduced rate of five percent. In cases where the enterprise income tax shall be levied, the tax shall be assessed on the taxable income calculated exactly from documents provided by the taxpayer as to costs and expenses; where no such documentation is available, the tax shall be assessed on the taxable income calculated on the basis of an appropriate rate of profit, provisionally determined at fifteen percent of the business proceeds in accordance with the provision of Article 24 of the Detailed Rules and Regulations for the Implementation of the Income Tax Law Concerning Foreign Enterprises.

V. 'Enterprise' as used in the above-mentioned provisions encompasses 'corporation', 'company' and 'economic organization'.

VI. The Ministry of Finance shall be responsible for the interpretation of the provisions.

VII. The above-mentioned provisions shall be in force as from January 1, 1985.

CSO: 4020/225

HONG KONG MEDIA ON CHINA

BELGIAN BANK SUBSIDIARY, SHANGHAI AGREE ON TELEPHONE MANUFACTURE

HK150343 Hong Kong HONG KONG STANDARD (Business Standard Supplement) in English 15 May 85 p 1

[Text] Bell Telephone, a subsidiary of Belgian Bank, has reached an agreement with the municipal government of Shanghai to manufacture telephones there.

The entire project, estimated to cost US\$200 million, will be fully operational in four to five years.

This was revealed yesterday by the chairman of the Belgian Bank, Mr Henri Fayt, who has come here from Belgium to take part in the bank's 50th anniversary celebration in Hong Kong.

Fayt said that the Belgian Bank is likely to provide project financing for the Shanghai deal.

The bank will also participate in financing other projects including a hotel and a brewery in the special economic zone in Shenzhen, and a timber factory in Shekou.

The bank already has a representative office in Beijing, and is considering opening another one in China, possibly in the industrial cities like Shanghai, Wuhan, Xian or Fujian.

In Hong Kong, Fayt said, the bank is interested in financing the construction of the Tuenmun Light Rail project as a member of the group for syndicated loan.

He said Hong Kong still lacks a long term capital market despite a marked increase in the issue of commercial papers recently.

The territory has yet to develop a capital market, for long term debentures, he said.

When asked about his opinion of the proposed new banking laws, Fayt said he does not think the government would set it too tough as bankers would have a choice of moving to other Asian financial centres such as Singapore and Tokyo.

CSO: 4020/225

HONG KONG MEDIA ON CHINA

ZHUHAI SPECIAL ECONOMIC ZONE PLANS TO IMPROVE INFRASTRUCTURE

HK050602 Hong Kong SOUTH CHINA MORNING POST in English 5 May 85 p 8

[Text] Zhuhai, May 4--The Zhuhai Special Economic Zone [SEZ] plans to invest half a billion yuan this year on the improvement of its infrastructure, its mayor, Mr Liang Guangbai, said today.

Mr Liang said the SEZ had tapped all resources to provide "a good investment environment."

Among the projects planned were the construction of standard factories, the rebuilding and construction of 40 kms of trunk roads and building a telephone system.

Other plans included the improvement of the harbour as well as speeding up a feasibility study on the building of an international airport.

The mayor was speaking at the opening ceremony of the Pearl Land Amusement Park in the Zhuhai International Gold Club.

The \$300 million investment was the first Sino-Japanese joint project in Zhuhai.

In his speech, Mr Liang said the administration was confident that the Special Economic Zone would prosper in the years to come in view of its present development.

Last year Zhuhai signed a total of 604 contracts with foreign merchants including those from Hong Kong and Macao, attracting a total of H.K.\$3.9 billion in investment.

Among the 604 contracts, more than 80 percent were of an industrial nature.

The mayor said Zhuhai had a great potential for investment in agriculture.

Plans were afoot to develop 200,000 acres of farm land in five years.

CSO: 4020/225



HONG KONG MEDIA ON CHINA

HONG KONG FAIR IN SHANGHAI NETS \$250 MILLION IN ORDERS

HK150341 Hong Kong HONG KONG STANDARD [Business Standard Supplement] in English  
15 May 85 p 1

[Text] Citing overwhelming response, delegates of the 90 Hong Kong companies participating in the "Made in Hong Kong '85" exhibition in Shanghai have reported that total business concluded on the spot and under negotiation amounted to approximately \$250 million. This is in addition to a number of joint venture deals under negotiation.

More than 60,000 visitors, including many from more than 20 provinces throughout China, have poured into the mammoth Shanghai Exhibition Centre where the Trade Development Council had just concluded on Monday its 6-day major Hong Kong products exhibition in Shanghai.

Chinese traders were reported to be very impressed by the variety and quality of products from Hong Kong, and showed great interest in getting further technical details concerning production, cost and delivery.

Hong Kong manufacturers said they were generally happy with the exhibition, although not all of the participants had confirmed business. Most felt that such a large-scale and well-publicised exhibition was very effective in helping them make contacts with trade officials from all over China and for promoting the image of Hong Kong as an advanced industrial and trade centre.

Judging from the response of Chinese trade officials, China is a market with extremely great potential for both machinery and consumer products, particularly photo frames, glasses, calculators, cables and wires, telecommunications equipment, color television and food products.

But the Hong Kong manufacturers also felt that the limited availability of foreign exchange is a drawback for them to reach business deals successfully with their Chinese counterparts.

"The prospects of reaching business agreements with China would be even greater if responsible organisations in China have greater access to foreign exchange," one manufacturer said.

CSO: 4020/222

HONG KONG MEDIA ON CHINA

PREMIUM DISPUTE MAY HAMPER DAYA BAY INSURANCE TALKS

HK070501 Hong Kong SOUTH CHINA MORNING POST in English 7 May 85 p 1

[From Albert Chan]

[Text] Shenzhen, 6 May--Formal negotiations on insurance for the Daya Bay nuclear plant began last week, but difficulties are expected because of a dispute over the size of the premium.

The negotiations are between a British insurance company, the Sedgwick Group, and the Guangdong Nuclear Power Joint Venture Co, which will build the multi-billion dollar plant.

Officials said the premium estimate by the British broker is unacceptable to the joint venture company and the state's insurance authority, the People's Insurance Co of China (PICC).

Last week's 2-day meeting in Shenzhen was the first between the three parties.

It followed Peking's appointment of Sedgwick Associated Risks Co as lead insurance broker for the Daya Bay project.

The joint venture company estimates the cost of the plant at between U.S.\$3 billion and \$3.8 billion and the insurance premium at U.S.\$14 million, which is about 0.4 percent of the plant's total cost.

It is not clear what Sedgwick quoted for the premium, but sources said it was unacceptably high.

One official who took part in the negotiations said the premium rate for nuclear plants in Japan is only 0.2 to 0.3 percent although he conceded that the Japanese experience in such plants is one reason for the relatively low premium.

It is believed international brokers are concerned about the lack of nuclear plant experience on the part of the Chinese.

But one official claimed the risk involved in the construction stages of a nuclear plant is lower than for conventional coal-fired or hydroelectric plants.

Moreover, the Daya Bay project involves a combination of British and French expertise, and both countries have many years of experience.

The scope of insurance involved in the project will include risk during construction, during erection and installation of equipment, in transportation, fire cover, public liability and life insurance.

It has been learned that the Lambert group, which is the insurance underwriter for China Light and Power Co's Castle Peak power plants, as well as other insurance brokers, has approached PICC about participating in the insurance of the Daya Bay plant.

The chairman of Lloyd's of London, Mr Peter Miller, who visited China last month, also made a helicopter trip to the Daya Bay site accompanied by Shenzhen's vice-mayor, Mr Zhen Xipei.

Two officials from PICC went to Sedgwick last autumn for 3 months of training in the nuclear plant insurance business.

A PICC official is currently working in the joint venture company and is actively taking part in the on-going negotiations with equipment suppliers.

Sources said no exact premium amount can be determined yet as negotiations between the joint-venture company, the French nuclear reactor supplier Framatome, and the British turbine generator supplier, GEC, are not yet finalised.

CSO: 4020/222

HONG KONG MEDIA ON CHINA

HONG KONG COMPANY TRAINING PRC MINISTRY OF COMMERCE OFFICIALS

HK130241 Hong Kong SOUTH CHINA MORNING POST in English 13 May 85 p 19

[By Stanley Leung]

[Text] More than 30 top provincial officials from China's Ministry of Commerce began an intensive 2-month training course on management and marketing in Shenzhen yesterday.

The course is organized by Hong Kong's ACL Consultants Ltd and the participants are said to be the highest-ranking officials in China receiving outside training.

The chairman of ACL, Mr Paul Yip, said the 38 officials are all in a position to help decide on the implementation of the current economic reforms.

They are all provincial chiefs under the central Ministry of Commerce and are likely to use what they learn during the course to reform China's foreign trade methods.

Mr Yip said the experience and knowledge passed on by Hong Kong businessmen and academics would, therefore, have far-reaching effects on China's reform programmes.

The officials are all in their 40s and on average have 15 years' experience in senior management.

Most are responsible for strategic planning and business development, heading huge departments, each with up to 800,000 staff members.

They come from provinces where the 14 open cities are located, including Guangdong, Henan, Hebei, Jiangsu and Sichuan.

Their training will be divided into three parts--lectures by Hong Kong specialists, courses on economic reforms and visits to Hong Kong commercial units.

In the first part, students will be taught concepts and practices of modern business management, open market policies, contacts with overseas markets and monetary theories.

Mr Yip said lecturers and guest speakers for the course include leading names in Hong Kong commercial circles.

The course was officially launched yesterday by a vice-minister in the Ministry of Commerce, Mr He Jihai, and Shenzhen deputy mayor, Mr Zhen Xipei, in the Shenzhen Municipal Hall.

Mr He said he hoped the officials will contribute more to the modernizations and economic reforms after completing their training.

Mr Yip said another major training programme for about 40 mayors, mainly from Guangdong Province, will be held in September.

The civic leaders will receive training on modern city administration and planning.

Peking is said to attach a great deal of importance to the course, which will also last about 2 months.

Mr Yip said the University of Hong Kong is currently working on an outline for the course and proposals will soon be submitted to the Chinese side for consideration.

Although the mayors participating in the course will initially come from small and medium-size cities, more training programmes will be introduced for civic leaders from larger cities at a later date.

Mr Yip said courses of this nature will help bridge the communication gap between China and Hong Kong in the years to 1997.

CSO: 4020/222

HONG KONG MEDIA ON CHINA

BRIEFS

ROK-PRC TRADE MAY EXPAND--South Korea's two-way trade with China through Hong Kong may expand this year by more than the 41 percent recorded last year, according to the leader of a Hong Kong General Chamber of Commerce mission to South Korea. Mr Simon Lee, chairman of the chamber's Special Purpose Committee responsible for promoting trade with South Korea, Japan and Taiwan, made this comment yesterday on his return from meetings with South Korean businessmen in Seoul, Kwangju and Pusan. According to a chamber statement, South Korea is buying shipments of maize, chili, garlic and herb medicines from China and selling to China electrical appliances, TV sets, refrigerators and washing machines through Hong Kong. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 7 May 85 Business News Supplement p 1 HK]

CSO: 4020/225



HONG KONG ECONOMIC TRENDS

PRC TO BACK HONG KONG IN FUTURE TEXTILE TALKS

HK100405 Hong Kong SOUTH CHINA MORNING POST in English 10 May 85 p 1

[By Matthew Leung]

[Excerpt] Shanghai, 9 May--Hong Kong is to have a bigger voice in future textile talks with international bodies such as the European Economic Community because China will be on its side.

The guarantee was given by senior Chinese officials during a working breakfast with the governor, Sir Edward Youde.

They agreed in principle that China would take the same stand as Hong Kong in future talks on the textile trade.

Apart from Sir Edward, the breakfast meeting was attended by China's minister of foreign economic relations and trade, Mr Zheng Tuobin; four directors in his ministry; the chairman of the Shanghai sub-council of the China Council for the Promotion of International Trade, Mr Jia Zhenzhi; and members of Hong Kong's Economic and Trade Mission, Miss Lydia Dunn, Mr Francis Tien, Mr H.C. Tang, Mr Peter Wrangham and Mr H.M.P. Miles.

Chinese officials also agreed to look into ways of ensuring a steady supply of textile raw materials to Hong Kong.

Hong Kong last year imported from China textiles, yarn and fabrics, made-up articles and related products worth about \$13 billion--an increase of 46 percent from 1983.

The amount also made up 24 percent of total imports from China.

Official estimates show a drop of 19 percent in textiles from China in the first 2 months of this year compared with the same period last year.

The January-February import value this year was \$1.6 billion.

Speaking to Hong Kong reporters after visiting the "Made in Hong Kong '85" exhibition, Mr Zheng Tuobin said China would discuss with the EEC economic issues effecting Hong Kong.

He described China's present cooperation with the EEC as very good.

But at the same time, he hoped the British Government would do something to boost links between China and the EEC.

Mr Zheng said he was deeply impressed by the Hong Kong exhibition which showed the territory's rapid economic development in the past few years.

He said Hong Kong's future was very bright.

CSO: 4020/221

HONG KONG ECONOMIC TRENDS

HONG KONG RELEASES STATISTICS ON IMPORT, EXPORT GROWTH

HK150353 Hong Kong SOUTH CHINA MORNING POST (Business News Supplement) in English 15 May 85 p 1

[By Peter Robinson]

[Text] Hong Kong's domestic exports in the first quarter grew only 3 percent to \$28.9 billion against the same period last year, census and statistics figures released yesterday show.

Last year's growth rate over 1983 was a whopping 51 percent.

The department said Hong Kong's total imports rose 11 percent to \$54 billion and re-exports 44 percent to \$25.47 billion.

Corresponding figures for last year were 42 percent and 60 percent respectively.

Domestic exports and re-exports together increased 19 percent for the quarter, the department said.

Last year, domestic exports rose 32 percent; re-exports 48 percent.

Total merchandise trade for the latest quarter, however, rose 15 percent to \$108.45 billion against the year-before period.

Last year's merchandise trade rose 32 percent.

For last year as a whole, domestic exports to the United States increased 40 percent in value.

The department said that in the first quarter this year domestic exports of clothing increased \$471 million or 13 percent, plastic toys and dolls by \$97 million of 15 percent, and watches and clocks by \$78 million or 13 percent.

Decreases were recorded in office machines and automatic data processing equipment, down \$328 million or 38 percent, and telecommunications and sound recording and reproducing equipment, down \$246 million or 23 percent.

Most commodities exported to China increased significantly in value: Office machines leapt \$605 million or 1,789 percent, telecommunications equipment by \$415 million or 155 percent, electrical machinery, apparatus and appliances and electrical parts rose \$241 million or 231 percent.

Decreases were shown in textiles, down \$70 million or 15 percent and feeding stuff for animals, down by \$9 million or 50 percent.

Domestic exports to the UK increased in metalliferous ores and scrap metal up \$53 million or 106 percent, clothing by \$10 million or 1 percent, and travel goods, handbags and similar containers by \$7 million or 18 percent. Decreases were shown in textiles, down by \$71 million or 47 percent, and telecommunications down \$51 million or 42 percent.

Domestic exports to Germany increased in metalliferous ores and metal scrap, by \$30 million or 348 percent, and watches and clocks by \$25 million or 20 percent.

Domestic exports to Japan of jewelry, goldsmiths and silversmiths wares increased \$13 million or 18 percent.

Decreases were recorded in exports to Germany in clothing, down \$318 million or 23 percent and telecommunications down \$66 million or 45 percent, and domestic exports of clothing to Japan fell \$21 million or 7 percent.

Imports from Japan increased in the first quarter of this year compared with the same period last year.

Increases were recorded in telecommunications, up \$878 million or 82 percent, road vehicles up \$565 million or 75 percent, office machines up \$443 million or 109 percent, specialised machinery for particular industries up \$190 million or 70 percent, and electrical machinery and parts by \$141 million or 9 percent.

Decreases were registered for textiles, down \$210 million or 13 percent and manufactures of metals down \$86 million or 25 percent.

Imports from China were up \$179 million or 42 percent in textile fibres (other than wool tops) and their wastes and clothing was up by \$157 million or 8 percent.

Large decreases were shown for textiles, down by \$775 million or 24 percent and meat and meat preparations, down \$135 million or 31 percent.

Increases in imports from the United States were shown in tobacco and tobacco manufactures, up \$224 million or 76 percent, office machines, up \$154 million or 26 percent, and manufactures of metal, up \$72 million or 101 percent.

Decreases were shown in textile fibres (other than wool tops) and their wastes by \$134 million or 53 percent, and electrical machinery down \$125 million or 12 percent.

Imports from Taiwan of electrical machinery and parts rose \$454 million or 84 percent and imports from Singapore of telecommunications products rose \$216 million or 288 percent.

Imports of vegetables and fruit from Taiwan fell by \$22 million or 23 percent as did imports of petroleum, petroleum products and related material from Singapore by \$82 million or 5 percent.

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